

HSBC BANK MALAYSIA BERHAD
(Company No.127776-V)
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
at 31 December 2017

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Mukhtar Malik Hussain, being the Chief Executive Officer of HSBC Bank Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 2 to 42 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

.....
MUKHTAR MALIK HUSSAIN

CHIEF EXECUTIVE OFFICER
14 February 2018

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(Company No.127776-V)
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at 31 December 2017

(a) Introduction

HSBC Bank Malaysia Berhad (the Bank) is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are herein referred to as 'the Group' in this document.

(b) Basel II

The Group's lead regulator, Bank Negara Malaysia (BNM) sets and monitors capital requirements for the Group as a whole. The Group is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Bank adopts the Standardised Approach for Credit, Operational and Market Risk. Its fully owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS), adopts the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specific information on the capital management processes, and risk assessment processes, and hence the capital adequacy of the Group. Disclosures consist of both quantitative and qualitative information and are provided at the Group and the Bank level. Banks are required to disclose all their material risks as part of the Pillar 3 framework. All material and non-proprietary information required by Pillar 3 is included in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures at 31 December 2017. BNM permits certain Pillar 3 requirements to be satisfied by inclusion within the financial statements. Where this is the case, references are provided to relevant sections in the Financial Statements as at 31 December 2017.

(c) Consolidation basis

The basis of consolidation for financial accounting purposes is described in Note 3(a) of the financial statements at 31 December 2017 and it is the same basis of consolidation that is used for regulatory purposes. The Bank's subsidiary companies are listed in Note 14 of the financial statements, and are fully consolidated for both financial accounting and regulatory purposes.

(d) Transferability of capital and funds within the Group

The Bank is the primary provider of equity capital to its subsidiaries. Each subsidiary manages its own capital to support its planned business growth. The Group is not aware of any impediments on transfer of funds or regulatory capital.

(e) Internal assessment of capital adequacy

The Group assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk.

The key objective of Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that sufficient capital is maintained, given the risk profile of the Bank on an ongoing and forward looking basis. The ICAAP permits the setting of target amounts for internal capital consistent to the Group's risk profile and the environment in which it pursues business.

The ICAAP is an internal assessment of the Group's capital adequacy given its risk appetite, risk profile and regulatory minimum requirements. The Group assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk. On a forward looking basis, the ICAAP ensures that the Group's capital position:

- exceeds the minimum regulatory capital requirements as prescribed by the BNM;
- remains sufficient to support the Group's Risk Appetite and business strategies;
- remains sufficient to support the underlying and projected risk profile; and
- remains sufficient to sustain business growth and in adverse business or economic conditions.

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

(e) Internal assessment of capital adequacy (Cont'd)

In order to achieve this, the Group has a robust ICAAP framework in place which underlines the foundation of its risk and capital management process. It has the following key features:

- a strong and encompassing governance framework;
- a forward-looking risk appetite framework to ensure our business and risk profiles are in line with the Board of Directors' (BOD) expectations;
- a robust capital management, planning and forecasting framework; and
- an internal risk assessment process based on the economic capital and stress testing frameworks to support the Group's capital adequacy positions.

Refer to Note 37 of the financial statements at 31 December 2017 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

Stress Testing

Our stress testing programme examines the sensitivities and resilience of our capital plans and unplanned demand for regulatory capital under a number of scenarios and ensures that top and emerging risks are appropriately considered. These scenarios include, but are not limited to, adverse macroeconomic events, failures at country, sector and counterparty levels, geopolitical occurrences and a variety of projected major operational risk events. Scenarios are translated into financial impacts to assess the sensitivities and resilience of our capital demand. Action plans are developed to mitigate identified risks. The Group's Risk Committee (RC) is informed and consulted on the entity's stress testing activities, as appropriate.

Reverse stress testing is run annually. It is used to strengthen our resilience by identifying potential stresses and vulnerabilities which the entity might face and helping to inform early-warning triggers, management actions and contingency plans designed to mitigate their effect, were they to occur.

Governance

The Stress Test Working Group (STWG) 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. Stress test results and the proposed mitigating actions will be recommended by Risk Management Meeting (RMM) and RC of the Board for approval.

Risk Appetite

Risk Appetite is a central component of an integrated approach to risk, capital and value management and an important mechanism to realise the Group's strategic vision and corporate strategy. Risk Appetite forms an integral part of the Group's ICAAP to ensure sufficient capital resources for the risk profile across customer groups.

The Risk Appetite Framework describes the quantum and types of risk that the Group is prepared to take in executing its strategy. It aims to introduce a more explicit and consistent consideration of risk and capital into the Group's strategy formulation, business planning, target setting, execution and measurement/ reporting processes throughout the Group. It applies to the Group's planning activities, strategic investments and running of the Group's operations across all regions and group businesses.

The Risk Appetite Framework as well as the Consolidated Risk Appetite Statement (RAS) will be reviewed by all relevant stakeholders namely Risks, Finance and customer groups. It is tabled to the RMM for endorsement, and subsequently tabled to the RC for recommendation to the BOD for approval.

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

(f) Capital structure

For regulatory purposes, the Group's regulatory capital is divided into two categories, or tiers. These are Tier 1 and Tier 2. The main features of capital securities issued by the Group are disclosed below:

- Tier 1 capital^[1] is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 Capital. CET1 Capital includes ordinary share capital^[2], retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Group does not have any Additional Tier 1 capital as at 31 December 2017.
- Tier 2 capital^[1] includes qualifying subordinated liabilities^[3], collective impairment allowances (excluding collective impairment allowances attributable to loans classified as impaired), regulatory reserve and the element of the fair value reserve relating to revaluation of property which are disclosed as regulatory adjustments.

(g) Risk management policies

All of the Group's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk (includes foreign exchange and interest/profit rate risk)
- operational risk

Refer to Note 4 of the financial statements at 31 December 2017 for the Group's risk managements policies on the above mentioned risks.

^[1] Refer to Note 37 of the financial statements at 31 December 2017 for the amount and breakdown of capital components.

^[2] Refer to Note 24 of the financial statements at 31 December 2017 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

^[3] Refer to Note 23 of the financial statements at 31 December 2017 for terms and conditions of the subordinated liabilities.

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

(g) Risk management policies (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 balance sheet date.

At 31 December 2017, the RWA risk absorbent for Syndicated Investment Account for Financing (SIAF)/ Investment Agency Account (IAA) in the Bank amounted to RM3,137.2m (31 December 2016: RM931.5m). 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.

31 Dec 2017
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	20,095,774	20,095,774	366,893	29,351
PSEs	2,791,432	2,791,432	1,989,204	159,137
Banks, DFIs & MDBs	4,188,627	2,602,980	671,295	53,704
Corporates	21,851,696	21,008,721	19,632,775	1,570,622
Regulatory Retail	5,786,585	5,683,406	4,362,918	349,033
Residential Mortgages	19,943,787	19,924,473	7,255,040	580,403
Higher Risk Assets	24,989	24,989	37,483	2,999
Other Assets	802,211	802,211	545,838	43,667
Equity Exposure	176,679	176,679	176,679	14,134
Defaulted Exposures	644,982	630,426	732,284	58,582
Total for On-Balance Sheet Exposures	76,306,762	73,741,091	35,770,409	2,861,632
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,634,468	2,276,022	1,187,520	95,001
Off balance sheet exposures other than OTC derivatives or credit derivatives	17,086,151	16,646,417	11,976,882	958,150
Defaulted Exposures	7,633	7,633	10,154	813
Total for Off-Balance Sheet Exposures	21,728,252	18,930,072	13,174,556	1,053,964
Total On and Off-Balance Sheet Exposures ^[1]	98,035,014	92,671,163	48,944,965	3,915,596
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	36,751,785	37,733,245	(981,460)	966,494
Foreign Currency Risk	16,375	290,715	290,715	23,258
Options Risk	-	-	-	90,233
	36,768,160	38,023,960	(690,745)	1,347,442
Operational Risk (Standardised Approach)	-	-	-	5,787,374
Total RWA and Capital Requirement	-	-	-	56,079,781
				4,486,383

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

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2016
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	29,277,255	29,277,255	226,331	18,106
PSEs	1,299,977	1,299,977	1,299,977	103,999
Banks, DFIs & MDBs	2,149,204	2,149,204	525,091	42,007
Corporates	18,884,047	17,812,922	16,705,288	1,336,423
Regulatory Retail	6,135,979	5,978,373	4,543,252	363,460
Residential Mortgages	20,182,262	20,163,523	7,588,073	607,046
Higher Risk Assets	2,944	2,944	4,416	353
Other Assets	866,774	866,774	551,629	44,130
Equity Exposure	166,887	166,887	166,887	13,351
Defaulted Exposures	832,841	812,350	923,292	73,864
Total for On-Balance Sheet Exposures	79,798,170	78,530,209	32,534,236	2,602,739
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,127,481	3,514,350	1,955,241	156,419
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,220,941	18,814,699	14,355,843	1,148,468
Defaulted Exposures	8,810	8,810	12,238	979
Total for Off-Balance Sheet Exposures	25,357,232	22,337,859	16,323,322	1,305,866
Total On and Off-Balance Sheet Exposures ^[1]	105,155,402	100,868,068	48,857,558	3,908,605
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	34,969,774	35,645,102	(675,328)	898,671
Foreign Currency Risk	73,193	35,594	73,193	73,193
Options Risk	-	-	-	32,217
	35,042,967	35,680,696	(602,135)	1,004,081
Operational Risk (Standardised Approach)	-	-	-	5,793,257
Total RWA and Capital Requirement	-	-	-	55,654,896

Note:

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

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

Refer to Note 37 and Note 38 of the financial statements at 31 December 2017 for disclosure on RWA breakdown by various categories of risk weights and off-balance sheet respectively.

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2017

Bank

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	16,387,492	16,387,492	366,893	29,351
PSEs	1,740,704	1,740,704	1,139,033	91,123
Banks, DFIs & MDBs	6,948,297	5,362,650	1,161,964	92,957
Corporates	16,473,671	15,740,297	14,566,075	1,165,286
Regulatory Retail	3,397,411	3,313,845	2,496,092	199,687
Residential Mortgages	15,584,111	15,567,673	5,675,700	454,056
Higher Risk Assets	24,989	24,989	37,483	2,999
Other Assets	680,506	680,506	525,627	42,050
Equity Exposure	176,679	176,679	176,679	14,134
Defaulted Exposures	475,304	464,557	547,341	43,787
Total for On-Balance Sheet Exposures	61,889,164	59,459,392	26,692,887	2,135,430
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,662,208	2,303,762	1,064,281	85,142
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,066,874	13,709,875	10,061,727	804,938
Defaulted Exposures	6,166	6,166	8,059	645
Total for Off-Balance Sheet Exposures	18,735,248	16,019,803	11,134,067	890,725
Total On and Off-Balance Sheet Exposures ^[1]	80,624,412	75,479,195	37,826,954	3,026,155
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	36,633,313	37,496,013	(862,700)	961,964
Foreign Currency Risk	14,055	285,795	285,795	22,864
Options Risk	-	-	-	90,233
	36,647,368	37,781,808	(576,905)	1,337,992
Operational Risk (Standardised Approach)	-	-	-	5,203,610
Total RWA and Capital Requirement	-	-	-	44,368,556
				3,549,484

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

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2016
(RM'000)

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	25,390,983	25,390,983	226,331	18,106
PSEs	984,657	984,657	984,657	78,773
Banks, DFIs & MDBs	4,640,949	4,640,949	1,023,393	81,871
Corporates	14,334,289	13,379,891	12,496,556	999,724
Regulatory Retail	3,667,359	3,540,556	2,663,606	213,088
Residential Mortgages	15,839,394	15,823,529	5,975,314	478,025
Higher Risk Assets	2,944	2,944	4,416	353
Other Assets	724,879	724,879	516,228	41,298
Equity Exposure	166,887	166,887	166,887	13,351
Defaulted Exposures	650,350	631,829	729,644	58,372
Total for On-Balance Sheet Exposures	66,402,691	65,287,104	24,787,032	1,982,961
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,310,800	3,697,669	1,728,243	138,259
Off balance sheet exposures other than OTC derivatives or credit derivatives	15,899,528	15,591,164	12,172,737	973,819
Defaulted Exposures	7,692	7,692	10,585	847
Total for Off-Balance Sheet Exposures	22,218,020	19,296,525	13,911,565	1,112,925
Total On and Off-Balance Sheet Exposures ^[1]	88,620,711	84,583,629	38,698,597	3,095,886
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	34,925,282	35,128,197	(202,915)	891,702
Foreign Currency Risk	68,766	34,027	68,766	68,766
Options Risk	-	-	-	32,217
	34,994,048	35,162,224	(134,149)	992,685
Operational Risk (Standardised Approach)	-	-	-	5,227,510
Total RWA and Capital Requirement	-	-	-	44,918,792

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

OTC - Over the counter

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

Refer to Note 37 and Note 38 of the financial statements at 31 December 2017 for disclosure on RWA breakdown by various categories of risk weights and off-balance sheet respectively.

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

(g) Risk management policies (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.

31 Dec 2017

Group

(RM000)

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%	18,266,473	-	-	14,170	13,160	-	-	300,330	-	18,594,133	-
20%	1,895,391	1,182,784	3,220,461	2,658,568	14,124	-	-	823	-	8,972,151	1,794,432
35%	-	-	-	-	-	21,704,895	-	-	-	21,704,895	7,596,713
50%	-	340,582	1,366,893	1,527,579	2,815	523,430	-	6,195	-	3,767,494	1,883,747
75%	-	-	-	-	7,762,086	815,947	-	-	-	8,578,033	6,433,525
100%	-	2,394,300	53,353	26,821,027	461,998	383,482	-	490,715	176,679	30,781,554	30,781,554
150%	-	-	-	83,087	41,441	111,836	32,390	-	-	268,754	403,131
1250%	-	-	-	-	-	-	-	4,149	-	4,149	51,863
Total										92,671,163	48,944,965
Average Risk Weight	2%	72%	30%	91%	77%	38%	150%	68%	100%	53%	

31 Dec 2016

Group

(RM000)

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%	28,146,580	-	-	4,608	17,648	-	-	314,156	-	28,482,992	-
20%	1,310,300	150,000	3,306,332	1,794,359	21,197	-	-	989	-	6,583,177	1,316,636
35%	-	-	-	-	-	21,155,815	-	-	-	21,155,815	7,404,535
50%	-	228,858	1,731,350	1,596,369	5,967	899,083	-	392	-	4,462,019	2,231,010
75%	-	-	-	-	8,031,183	1,572,131	-	-	-	9,603,314	7,202,486
100%	-	2,187,387	54,600	26,511,076	494,590	370,697	-	551,236	166,887	30,336,473	30,336,473
150%	-	-	-	106,474	33,143	101,326	3,335	-	-	244,278	366,418
Total										100,868,068	48,857,558
Average Risk Weight	1%	91%	31%	93%	76%	40%	150%	64%	100%	48%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

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

31 Dec 2017

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%	14,558,191	-	-	6,907	7,304	-	-	198,836	-	14,771,238	-
20%	1,895,391	782,088	6,472,411	2,191,413	7,493	-	-	823	-	11,349,619	2,269,924
35%	-	-	-	-	-	17,125,740	-	-	-	17,125,740	5,994,009
50%	-	340,582	826,667	1,182,261	2,570	395,875	-	6,195	-	2,754,150	1,377,075
75%	-	-	-	-	5,119,857	674,996	-	-	-	5,794,853	4,346,140
100%	-	1,539,175	53,353	20,871,554	71,305	279,882	-	470,504	176,679	23,462,452	23,462,452
150%	-	-	-	77,535	31,282	75,787	32,390	-	-	216,994	325,491
1250%	-	-	-	-	-	-	-	4,149	-	4,149	51,863
Total										75,479,195	37,826,954
Average Risk Weight	2%	70%	24%	90%	76%	38%	150%	77%	100%	50%	

31 Dec 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%	24,260,308	-	-	1,165	12,747	-	-	207,664	-	24,481,884	-
20%	1,310,300	-	6,453,424	1,288,892	8,983	-	-	989	-	9,062,588	1,812,518
35%	-	-	-	-	-	16,746,254	-	-	-	16,746,254	5,861,189
50%	-	228,858	1,219,876	1,301,711	5,391	679,819	-	392	-	3,436,047	1,718,024
75%	-	-	-	-	5,288,109	1,337,445	-	-	-	6,625,554	4,969,166
100%	-	1,669,200	48,919	21,128,436	212,762	276,469	-	515,834	166,887	24,018,507	24,018,507
150%	-	-	-	102,584	29,414	77,462	3,335	-	-	212,795	319,193
Total										84,583,629	38,698,597
Average Risk Weight	1%	94%	25%	93%	76%	40%	150%	71%	100%	46%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

3) Credit Risk

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

Group (RM'000)	31 Dec 2017				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	120,837	104,018	529,060	122,696	876,611
Term loans/financing					
Housing loans/financing	3,437,088	2,997,362	11,899,718	1,047,513	19,381,681
Syndicated term loan/financing	-	110,216	6,268,902	6,005	6,385,123
Factoring receivables	13,199	18,160	137,256	67,704	236,319
Hire purchase receivables	37,529	58,885	57,492	15,946	169,852
Lease receivables	-	-	1,379	-	1,379
Other term loans/financing	1,145,884	1,323,588	6,179,445	731,716	9,380,633
Bills receivables	52,309	158,640	2,278,293	35,019	2,524,261
Trust receipts	392,119	455,346	1,360,247	72,334	2,280,046
Claims on customers under acceptance credits	697,424	486,453	773,521	63,439	2,020,837
Staff loans/financing	15,429	7,091	79,878	4,882	107,280
Credit/charge cards	612,689	479,048	1,979,143	303,401	3,374,281
Revolving credit	154,080	214,050	5,547,801	128,997	6,044,928
Other loans/financing	2,777	1,009	5,589	1,423	10,798
	6,681,364	6,413,866	37,097,724	2,601,075	52,794,029

Group (RM'000)	31 Dec 2016				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	180,827	115,432	800,340	127,615	1,224,214
Term loans/financing					
Housing loans/financing	3,444,997	3,022,819	11,917,084	1,111,654	19,496,554
Syndicated term loan/financing	-	112,305	2,279,342	17,510	2,409,157
Factoring receivables	16,903	61,744	81,170	64,940	224,757
Hire purchase receivables	50,658	62,391	80,610	15,262	208,921
Lease receivables	-	-	2,738	-	2,738
Other term loans/financing	1,272,647	1,491,685	6,820,461	918,132	10,502,925
Bills receivables	114,822	88,356	861,561	35,545	1,100,284
Trust receipts	249,977	716,884	1,094,491	42,834	2,104,186
Claims on customers under acceptance credits	549,770	387,361	836,473	95,508	1,869,112
Staff loans/financing	17,820	8,944	101,707	6,630	135,101
Credit/charge cards	590,111	433,463	1,834,124	297,152	3,154,850
Revolving credit	160,289	190,154	4,726,297	75,882	5,152,622
Other loans/financing	2,617	852	4,996	553	9,018
	6,651,438	6,692,390	31,441,394	2,809,217	47,594,439

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 Disclosures (Cont'd)

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 1: Geographical distribution of loans/financing breakdown by type (Cont'd)

	31 Dec 2017				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	108,431	80,088	483,731	122,178	794,428
Term loans/financing					
Housing loans/financing	2,840,803	2,415,132	8,848,326	875,845	14,980,106
Syndicated term loan/financing	-	110,216	4,128,237	6,005	4,244,458
Factoring receivables	13,199	18,160	137,256	67,704	236,319
Other term loans/financing	763,128	764,588	3,156,899	524,091	5,208,706
Bills receivables	42,000	153,764	2,184,413	35,019	2,415,196
Trust receipts	224,506	427,457	813,667	72,334	1,537,964
Claims on customers under acceptance credits	585,032	393,637	556,479	62,775	1,597,923
Staff loans/financing	14,617	6,759	76,483	4,774	102,633
Credit/charge cards	439,060	326,327	1,424,723	258,754	2,448,864
Revolving credit	151,880	210,233	4,987,562	128,997	5,478,672
Other loans/financing	2,238	845	4,785	1,282	9,150
	5,184,894	4,907,206	26,802,561	2,159,758	39,054,419

	31 Dec 2016				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	170,134	90,495	739,806	125,939	1,126,374
Term loans/financing					
Housing loans/financing	2,833,888	2,428,581	8,947,712	929,739	15,139,920
Syndicated term loan/financing	-	112,305	1,629,076	17,510	1,758,891
Factoring receivables	16,903	61,744	81,170	64,940	224,757
Other term loans/financing	889,890	854,138	4,194,280	697,114	6,635,422
Bills receivables	108,548	82,397	764,192	34,875	990,012
Trust receipts	168,004	702,826	731,816	39,305	1,641,951
Claims on customers under acceptance credits	446,491	286,239	538,517	93,490	1,364,737
Staff loans/financing	17,214	7,915	97,505	6,274	128,908
Credit/charge cards	434,891	310,317	1,363,794	258,138	2,367,140
Revolving credit	158,089	185,322	3,783,168	75,882	4,202,461
Other loans/financing	2,146	699	4,455	531	7,831
	5,246,198	5,122,978	22,875,491	2,343,737	35,588,404

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

Group (RM'000)	31 Dec 2017				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	6,513	3,077	6,890	28,274	44,754
Term loans/financing					
Housing loans/financing	108,608	81,103	313,549	19,207	522,467
Factoring receivables	-	-	-	-	-
Hire purchase receivables	3,502	3,248	160	2,931	9,841
Other term loans/financing	38,024	13,145	229,856	85,163	366,188
Bills receivables	2,390	2,198	23,057	-	27,645
Trust receipts	3,472	-	292	-	3,764
Claims on customers under acceptance credits	9,300	6,278	4,029	2,309	21,916
Staff loans/financing	397	35	715	1	1,148
Credit/charge cards	10,867	8,482	29,862	4,780	53,991
Revolving credit	2,200	-	17,972	11,023	31,195
Other loans/financing	2,770	1,008	5,569	1,422	10,769
	188,043	118,574	631,951	155,110	1,093,678

Group (RM'000)	31 Dec 2016				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	7,517	448	6,927	33,116	48,008
Term loans/financing					
Housing loans/financing	97,094	70,564	289,383	21,716	478,757
Factoring receivables	-	-	368	-	368
Hire purchase receivables	1,714	-	351	3,665	5,730
Other term loans/financing	46,250	12,892	236,450	82,730	378,322
Bills receivables	2,626	7,133	1,289	-	11,048
Trust receipts	4,120	-	2,438	-	6,558
Claims on customers under acceptance credits	7,842	164	189	3,026	11,221
Staff loans/financing	547	-	1,909	249	2,705
Credit/charge cards	11,303	8,319	31,867	5,048	56,537
Revolving credit	2,200	-	4,190	12,313	18,703
Other loans/financing	2,612	847	4,984	553	8,996
	183,825	100,367	580,345	162,416	1,026,953

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 2: Geographical distribution of impaired loans/financing breakdown by type (Cont'd)

Bank (RM'000)	31 Dec 2017				
	Northern	Southern	Central	Eastern	Total
Overdrafts	4,693	1,208	2,935	28,274	37,110
Term loans/financing					
Housing loans/financing	77,002	60,595	206,418	15,680	359,695
Factoring receivables	-	-	-	-	-
Other term loans/financing	25,382	5,086	98,428	80,636	209,532
Bills receivables	-	-	6,393	-	6,393
Trust receipts	3,472	-	292	-	3,764
Claims on customers under acceptance credits	9,300	6,278	4,029	2,309	21,916
Staff loans/financing	198	-	704	-	902
Credit/charge cards	6,851	5,229	18,443	3,677	34,200
Revolving credit	-	-	17,972	11,023	28,995
Other loans/financing	2,232	844	4,765	1,281	9,122
	129,130	79,240	360,379	142,880	711,629

Bank (RM'000)	31 Dec 2016				
	Northern	Southern	Central	Eastern	Total
Overdrafts	5,585	448	2,732	33,116	41,881
Term loans/financing					
Housing loans/financing	76,274	50,394	199,500	17,524	343,692
Factoring receivables	-	-	368	-	368
Other term loans/financing	31,555	5,389	130,059	79,132	246,135
Bills receivables	-	7,133	22	-	7,155
Trust receipts	4,120	-	2,438	-	6,558
Claims on customers under acceptance credits	7,842	164	189	3,026	11,221
Staff loans/financing	547	-	1,879	244	2,670
Credit/charge cards	8,048	5,539	21,881	3,967	39,435
Revolving credit	-	-	4,190	12,313	16,503
Other loans/financing	2,141	694	4,443	531	7,809
	136,112	69,761	367,701	149,853	723,427

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

		31 Dec 2017			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts/Cash line-i	876,611	-	-	-	876,611
Term loans/financing					
Housing loans/financing	90,390	63,486	166,214	19,061,591	19,381,681
Syndicated term loan/financing	4,881,990	836,711	581,296	85,126	6,385,123
Factoring receivables	236,319	-	-	-	236,319
Hire purchase receivables	21,476	64,609	83,767	-	169,852
Lease receivables	10	1,369	-	-	1,379
Other term loans/financing	2,045,158	1,935,406	1,708,753	3,691,316	9,380,633
Bills receivables	2,524,261	-	-	-	2,524,261
Trust receipts	2,280,046	-	-	-	2,280,046
Claims on customers under acceptance credits	2,020,837	-	-	-	2,020,837
Staff loans/financing	1,694	9,632	19,790	76,164	107,280
Credit/charge cards	3,374,281	-	-	-	3,374,281
Revolving credit	6,044,928	-	-	-	6,044,928
Other loans/financing	10,798	-	-	-	10,798
	24,408,799	2,911,213	2,559,820	22,914,197	52,794,029

		31 Dec 2016			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts/Cash line-i	1,224,214	-	-	-	1,224,214
Term loans/financing					
Housing loans/financing	100,688	67,679	164,461	19,163,726	19,496,554
Syndicated term loan/financing	1,278,277	603,190	120,420	407,270	2,409,157
Factoring receivables	224,757	-	-	-	224,757
Hire purchase receivables	13,860	101,581	93,480	-	208,921
Lease receivables	534	2,204	-	-	2,738
Other term loans/financing	1,893,096	2,726,117	2,076,242	3,807,470	10,502,925
Bills receivables	1,100,284	-	-	-	1,100,284
Trust receipts	2,104,186	-	-	-	2,104,186
Claims on customers under acceptance credits	1,869,112	-	-	-	1,869,112
Staff loans/financing	1,644	14,632	20,843	97,982	135,101
Credit/charge cards	3,154,850	-	-	-	3,154,850
Revolving credit	5,152,622	-	-	-	5,152,622
Other loans/financing	9,018	-	-	-	9,018
	18,127,142	3,515,403	2,475,446	23,476,448	47,594,439

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 3: Residual contractual maturity of loans/financing breakdown by type (Cont'd)

		31 Dec 2017			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	794,428	-	-	-	794,428
Term loans/financing					
Housing loans/financing	78,688	60,251	151,173	14,689,994	14,980,106
Syndicated term loan/financing	3,150,755	512,407	581,296	-	4,244,458
Factoring receivables	236,319	-	-	-	236,319
Other term loans/financing	808,469	1,347,158	906,928	2,146,151	5,208,706
Bills receivables	2,415,196	-	-	-	2,415,196
Trust receipts	1,537,964	-	-	-	1,537,964
Claims on customers under acceptance credits	1,597,923	-	-	-	1,597,923
Staff loans/financing	1,626	9,254	18,549	73,204	102,633
Credit/charge cards	2,448,864	-	-	-	2,448,864
Revolving credit	5,478,672	-	-	-	5,478,672
Other loans/financing	9,150	-	-	-	9,150
	18,558,054	1,929,070	1,657,946	16,909,349	39,054,419

		31 Dec 2016			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,126,374	-	-	-	1,126,374
Term loans/financing					
Housing loans/financing	87,405	63,882	156,591	14,832,042	15,139,920
Syndicated term loan/financing	628,011	603,190	120,420	407,270	1,758,891
Factoring receivables	224,757	-	-	-	224,757
Other term loans/financing	1,128,700	2,180,045	1,067,058	2,259,619	6,635,422
Bills receivables	990,012	-	-	-	990,012
Trust receipts	1,641,951	-	-	-	1,641,951
Claims on customers under acceptance credits	1,364,737	-	-	-	1,364,737
Staff loans/financing	1,577	13,773	19,921	93,637	128,908
Credit/charge cards	2,367,140	-	-	-	2,367,140
Revolving credit	4,202,461	-	-	-	4,202,461
Other loans/financing	7,831	-	-	-	7,831
	13,770,956	2,860,890	1,363,990	17,592,568	35,588,404

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

															31 Dec 2017	
															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 receivables	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	36,789	-	512,407	-	5,552	-	209,577	6,664	-	43,685	79	170,673	-	985,426		
Mining and quarrying	6,444	-	-	402	433	-	84,904	-	13,124	23,962	89	111,377	-	240,735		
Manufacturing	331,253	-	806,723	172,505	91,514	-	1,464,157	391,221	1,072,605	1,292,227	2,985	953,313	1,082	6,579,585		
Electricity, gas and water	2,357	-	-	-	189	-	48,698	925	13,122	7,660	18	-	-	72,969		
Construction	53,029	-	164,941	-	12,305	-	1,268,920	171,082	76,493	28,105	432	1,221,605	95	2,997,007		
Real estate	6,604	-	1,887,901	-	-	-	1,479,793	34,668	47,745	-	71	578,709	23	4,035,514		
Wholesale & retail trade and restaurants & hotels	129,782	-	136,025	44,532	12,752	-	544,488	407,878	864,330	587,461	973	1,170,135	557	3,898,913		
Transport, storage and communication	17,584	-	747,197	9,100	20,138	-	108,414	3,284	25,583	13,030	263	159,442	14	1,104,049		
Finance, insurance/takaful and business services	126,393	-	1,002,784	9,780	11,866	1,379	772,389	38,984	48,402	23,811	3,254	1,130,812	1,806	3,171,660		
Household-retail	149,270	19,381,681	-	-	-	-	2,993,019	-	-	-	107,280	3,365,563	7,196	26,004,009		
Others	17,106	-	1,127,145	-	15,103	-	406,274	1,469,555	118,642	896	554	548,862	25	3,704,162		
	876,611	19,381,681	6,385,123	236,319	169,852	1,379	9,380,633	2,524,261	2,280,046	2,020,837	107,280	3,374,281	6,044,928	10,798	52,794,029	

															31 Dec 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 receivables	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	44,083	-	585,680	-	3,567	-	284,172	101,891	2,960	38,061	11	116,154	-	1,176,579		
Mining and quarrying	5,749	-	-	710	1,269	-	12,734	-	884	34,810	-	328,550	-	384,706		
Manufacturing	590,194	-	901,270	168,719	103,494	-	1,577,137	250,944	1,004,112	1,122,550	4,318	627,983	314	6,351,035		
Electricity, gas and water	3,481	-	-	-	257	-	25,493	1,182	10,950	4,865	5	2,019	-	48,252		
Construction	57,005	-	38,366	-	17,824	-	1,623,289	107,000	24,478	71,228	62	528,951	248	2,468,451		
Real estate	3,992	-	464,009	-	-	-	2,038,161	10,199	25,605	622	-	556,268	-	3,098,856		
Wholesale & retail trade and restaurants & hotels	172,660	-	155,326	33,637	18,831	-	606,248	402,456	879,356	523,879	441	966,912	741	3,760,487		
Transport, storage and communication	36,436	-	-	9,867	26,077	-	115,572	4,050	31,849	14,865	2	134,827	34	373,579		
Finance, insurance/takaful and business services	119,432	-	-	10,415	17,767	2,738	888,536	78,414	31,474	55,686	684	1,272,704	1,800	2,479,650		
Household-retail	165,207	19,496,554	-	-	-	-	3,065,637	-	-	-	135,101	3,149,138	5,869	26,017,506		
Others	25,975	-	264,506	1,409	19,835	-	265,946	144,148	92,518	2,546	189	618,254	12	1,435,338		
	1,224,214	19,496,554	2,409,157	224,757	208,921	2,738	10,502,925	1,100,284	2,104,186	1,869,112	135,101	3,154,850	5,152,622	47,594,439		

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2017													
Bank (RM'000)													
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	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	35,961	-	512,407	-	125,170	6,664	-	37,054	-	79	170,673	-	888,008
Mining and quarrying	5,064	-	-	402	3	-	3,462	23,962	-	89	111,377	-	144,359
Manufacturing	308,348	-	438,956	172,505	768,830	370,276	871,930	1,088,757	-	2,985	890,143	1,065	4,913,795
Electricity, gas and water	1,312	-	-	-	4,457	925	223	2,764	-	18	-	-	9,699
Construction	45,797	-	139,006	-	1,095,187	156,847	63,965	15,544	-	432	1,048,001	95	2,564,874
Real estate	6,269	-	1,316,729	-	1,007,668	34,668	47,745	-	-	71	548,501	23	2,961,674
Wholesale & retail trade and restaurants & hotels	112,480	-	110,217	44,532	358,114	398,348	476,580	414,521	-	973	1,077,976	407	2,994,148
Transport, storage and communication	17,297	-	340,992	9,100	33,234	3,284	693	530	-	263	149,260	14	554,667
Finance, insurance/takaful and business services	97,407	-	752,088	9,780	154,413	26,481	43,360	14,738	-	3,254	1,074,735	1,800	2,178,056
Household-retail	149,260	14,980,106	-	-	1,587,182	-	-	-	102,633	2,440,146	-	5,722	19,265,049
Others	15,233	-	634,063	-	74,448	1,417,703	30,006	53	-	554	408,006	24	2,580,090
	794,428	14,980,106	4,244,458	236,319	5,208,706	2,415,196	1,537,964	1,597,923	102,633	2,448,864	5,478,672	9,150	39,054,419

31 Dec 2016													
Bank (RM'000)													
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	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	40,853	-	585,680	-	161,859	101,891	-	33,759	-	11	116,154	-	1,040,207
Mining and quarrying	4,697	-	-	710	1,590	-	884	34,810	-	-	123,821	-	166,512
Manufacturing	569,015	-	852,414	168,719	912,334	239,018	900,150	895,188	-	4,318	621,644	294	5,163,094
Electricity, gas and water	2,333	-	-	-	6,440	1,182	1,483	3,902	-	5	-	-	15,345
Construction	46,655	-	38,366	-	1,530,633	78,531	20,725	20,705	-	62	377,903	226	2,113,806
Real estate	3,279	-	170,125	-	1,541,110	10,199	25,605	622	-	-	526,062	-	2,277,002
Wholesale & retail trade and restaurants & hotels	150,989	-	112,306	33,637	388,793	395,588	655,425	336,072	-	441	870,419	494	2,944,164
Transport, storage and communication	30,582	-	-	9,867	18,405	4,050	446	4,877	-	2	118,595	34	186,858
Finance, insurance/takaful and business services	89,504	-	-	10,415	305,457	77,530	31,315	34,665	-	684	998,566	1,800	1,549,936
Household-retail	164,913	15,139,920	-	-	1,680,661	-	-	-	128,908	2,361,428	-	4,981	19,480,811
Others	23,554	-	-	1,409	88,140	82,023	5,918	137	-	189	449,297	2	650,669
	1,126,374	15,139,920	1,758,891	224,757	6,635,422	990,012	1,641,951	1,364,737	128,908	2,367,140	4,202,461	7,831	35,588,404

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2017
Group (RM'000)

	Overdraft/ Cash line-i	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivables	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	12,068	-	-	-	46,140	-	-	-	-	-	-	-	58,208
Mining and quarrying	-	-	-	-	765	-	-	-	-	-	-	-	765
Manufacturing	13,380	-	-	5,130	11,666	7,036	3,471	3,799	-	-	13,223	1,081	58,786
Construction	850	-	-	-	9,275	-	65	21	-	-	-	95	10,306
Real estate	-	-	-	-	1,085	-	-	-	-	-	-	23	1,108
Wholesale & retail trade and restaurants & hotels	9,046	-	-	-	11,945	2,164	-	18,096	-	21	-	557	41,829
Transport, storage and communication	-	-	-	4,549	-	-	-	-	-	-	17,800	14	22,363
Finance, insurance/takaful and business services	3,777	-	-	162	14,985	17,734	228	-	-	-	-	1,806	38,692
Household-retail	4,787	522,467	-	-	270,327	-	-	-	1,148	53,970	-	7,168	859,867
Others	846	-	-	-	-	711	-	-	-	-	172	25	1,754
	44,754	522,467	-	9,841	366,188	27,645	3,764	21,916	1,148	53,991	31,195	10,769	1,093,678

31 Dec 2016
Group (RM'000)

	Overdraft/ Cash line-i	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivables	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	14,148	-	-	-	49,262	-	-	-	-	-	-	-	63,410
Manufacturing	14,556	-	-	-	21,272	1,097	3,820	3,039	-	-	14,513	314	58,611
Construction	282	-	-	-	52,336	-	-	-	-	11	-	248	52,877
Real estate	-	-	-	-	1,548	-	-	-	-	-	-	-	1,548
Wholesale & retail trade and restaurants & hotels	9,629	-	368	1,713	8,555	9,732	2,143	8,182	-	2	3,908	741	44,973
Transport, storage and communication	-	-	-	3,665	251	-	-	-	-	-	-	34	3,950
Finance, insurance/takaful and business services	4,131	-	-	352	18,647	219	595	-	-	52	-	1,800	25,796
Household-retail	5,098	478,757	-	-	225,979	-	-	-	2,705	56,472	-	5,847	774,858
Others	164	-	-	-	472	-	-	-	-	-	282	12	930
	48,008	478,757	368	5,730	378,322	11,048	6,558	11,221	2,705	56,537	18,703	8,996	1,026,953

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2017											
Bank (RM'000)											
Overdraft	Housing loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	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	12,068	-	-	46,140	-	-	-	-	-	-	58,208
Manufacturing	12,000	-	-	9,618	-	3,471	3,799	-	11,023	1,064	40,975
Construction	850	-	-	9,275	-	65	21	-	-	95	10,306
Real estate	-	-	-	1,085	-	-	-	-	-	23	1,108
Wholesale & retail trade and restaurants & hotels	7,248	-	-	6,647	-	-	18,096	-	21	407	32,419
Transport, storage and communication	-	-	-	-	-	-	-	-	17,800	14	17,814
Finance, insurance/takaful and business services	89	-	-	872	6,393	228	-	-	-	1,800	9,382
Household-retail	4,785	359,695	-	135,895	-	-	902	34,179	-	5,695	541,151
Others	70	-	-	-	-	-	-	-	172	24	266
	37,110	359,695	-	209,532	6,393	3,764	21,916	902	34,200	28,995	711,629

31 Dec 2016											
Bank (RM'000)											
Overdraft	Housing loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	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	14,148	-	-	49,262	-	-	-	-	-	-	63,410
Manufacturing	14,102	-	-	21,005	-	3,820	3,039	-	12,313	294	54,573
Construction	100	-	-	52,336	-	-	-	11	-	226	52,673
Real estate	-	-	-	1,548	-	-	-	-	-	-	1,548
Wholesale & retail trade and restaurants & hotels	8,432	-	368	1,980	7,155	2,143	8,182	2	3,908	494	32,664
Transport, storage and communication	-	-	-	251	-	-	-	-	-	34	285
Finance, insurance/takaful and business services	3	-	-	-	-	595	-	52	-	1,800	2,450
Household-retail	5,068	343,692	-	119,753	-	-	2,670	39,370	-	4,959	515,512
Others	28	-	-	-	-	-	-	-	282	2	312
	41,881	343,692	368	246,135	7,155	6,558	11,221	2,670	39,435	16,503	723,427

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 6: All past due loans/financing breakdown by sector ^[1]

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Agricultural, hunting, forestry and fishing	246,724	250,180	246,724	250,180
Mining and quarrying	2,496	-	-	-
Manufacturing	231,798	230,456	173,679	215,314
Construction	43,684	208,583	43,684	207,818
Real estate	4,696	6,108	4,696	6,108
Wholesale & retail trade and restaurants & hotels	168,119	175,030	137,413	128,874
Transport, storage and communication	90,351	14,867	75,507	1,124
Finance, insurance/takaful and business services	135,409	97,209	39,767	9,666
Household-retail	3,333,762	3,006,418	2,293,753	2,033,917
Others	5,983	3,548	1,127	1,231
	4,263,022	3,992,399	3,016,350	2,854,232

Table 7: All past due loans/financing breakdown by geographical location ^[1]

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Northern region	739,578	715,936	547,338	537,021
Southern region	464,223	390,004	335,871	275,237
Central region	2,413,694	2,248,111	1,527,522	1,450,739
Eastern region	645,527	638,348	605,619	591,235
	4,263,022	3,992,399	3,016,350	2,854,232

^[1] Of which the portion of impaired loans breakdown by sector and geographical location is disclosed in Note 11 (iii) and 11 (v) of the financial statements at 31 December 2017 respectively.

Table 8: Individual impairment allowance breakdown by sector

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Agricultural, hunting, forestry and fishing	1,613	1,648	1,613	1,648
Manufacturing	25,290	14,362	14,791	14,275
Construction	5,782	24,380	5,782	24,244
Wholesale & retail trade and restaurants & hotels	23,429	24,074	18,663	21,478
Transport, storage and communication	16,935	3,686	12,394	51
Finance, insurance/takaful and business services	23,251	7,880	4,141	1,568
Household-retail	197,626	153,715	123,091	103,724
Others	1,613	295	165	295
	295,539	230,040	180,640	167,283

Table 8a: Collective impairment allowance breakdown by sector

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Agricultural, hunting, forestry and fishing	5	24	-	-
Manufacturing	95,862	63,797	41,932	30,077
Electricity, gas and water	32,085	2,780	16,454	-
Construction	198	140	45	4
Real estate	30,080	37,282	24,927	33,962
Wholesale & retail trade and restaurants & hotels	2,873	2,893	1,323	-
Transport, storage and communication	61	6,343	36	3,076
Finance, insurance/takaful and business services	-	362	-	362
Household-retail	348,678	347,234	185,869	195,649
Others	8,994	8,710	7,342	6,420
	518,836	469,565	277,928	269,550

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 9: Individual impairment allowance breakdown by geographical location

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Northern region	20,858	13,598	14,590	11,444
Southern region	12,999	8,443	7,067	7,865
Central region	246,156	190,213	146,667	134,049
Eastern region	15,526	17,786	12,316	13,925
	295,539	230,040	180,640	167,283

Table 9a: Collective impairment allowance breakdown by geographical location

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Northern region	71,616	70,648	42,313	44,467
Southern region	63,662	66,175	36,091	38,738
Central region	355,809	303,331	181,344	166,386
Eastern region	27,749	29,411	18,180	19,959
	518,836	469,565	277,928	269,550

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 11 (ii) of the financial statements at 31 December 2017.

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Agricultural, hunting, forestry and fishing	-	538	-	538
Manufacturing	16,101	8,291	4,619	7,782
Construction	2,291	11,720	2,291	11,700
Wholesale & retail trade and restaurants & hotels	18,508	7,853	16,212	5,788
Transport, storage and communication	14,657	2	12,987	2
Finance, insurance/takaful and business services	17,521	7,643	2,735	1,631
Household-retail	75,232	74,007	49,683	52,572
Others	1,589	307	72	307
	145,899	110,361	88,599	80,320

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Manufacturing	65	24,438	63	6,080
Construction	162	-	82	-
Wholesale & retail trade and restaurants & hotels	13,332	1,802	13,177	1,340
Finance, insurance/takaful and business services	1	26	-	-
Household-retail	13,087	17,811	6,366	11,311
	26,647	44,077	19,688	18,731

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

(g) Risk management policies (Cont'd)

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)
- 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 Disclosures (Cont'd)

(g) Risk management policies (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
	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
	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

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

(g) Risk management policies (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 5 to 8. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

31 Dec 2017

Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<u>On and Off Balance Sheet Exposures</u>								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	371,628	9,226,172	-	-	-	-		9,597,800
PSEs								
- Exposures risk-weighted using ratings of Corporates	30,000	177,671	1,643,206	-	-	-		1,850,877
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	1,708,436	3,218,493	297,119	34,089	32,504	-		5,290,641
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	14,835	-	-	-	-		14,835
- Exposures risk-weighted using ratings of Banking Institutions	11,432	4,000	-	-	-	-		15,432
- Exposures risk-weighted using ratings of Corporates	2,484,489	1,070,270	661,354	-	-	-		4,216,113
	4,605,985	13,711,441	2,601,679	34,089	32,504	-	-	20,985,698
(ii) Total unrated exposures							63,203,340	63,203,340
Total Long Term Exposure	4,605,985	13,711,441	2,601,679	34,089	32,504	-	63,203,340	84,189,038

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2017

Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	10,679,125	-	-		10,679,125
PSEs						
- Exposures risk-weighted using ratings of Corporates	271,530	-	-	-		271,530
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	1,227,520	841,042	59,693	-		2,128,255
Corporates						
- Exposures risk-weighted using ratings of Corporates	520,811	191,091	55,164	-		767,066
	2,019,861	11,711,258	114,857	-	-	13,845,976
(ii) Total unrated exposures					-	-
Total Short Term Exposure	2,019,861	11,711,258	114,857	-	-	13,845,976
Group Total Long Term and Short Term Exposure :						98,035,014

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2016

Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	673,046	11,715,778	-	-	-	-		12,388,824
PSEs								
- Exposures risk-weighted using ratings of Corporates	-	3,642	65,539	-	-	-		69,181
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,154,398	1,509,455	704,925	17,967	9,164	-		4,395,909
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	4,608	-	-	-	-		4,608
- Exposures risk-weighted using ratings of Banking Institutions	-	7,022	-	-	-	-		7,022
- Exposures risk-weighted using ratings of Corporates	1,625,805	1,447,347	709,358	17,595	-	-		3,800,105
	4,453,249	14,687,852	1,479,822	35,562	9,164	-	-	20,665,649
(ii) Total unrated exposures							64,010,420	64,010,420
Total Long Term Exposure	4,453,249	14,687,852	1,479,822	35,562	9,164	-	64,010,420	84,676,069

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2016

Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	17,050,395	-	-		17,050,395
PSEs						
- Exposures risk-weighted using ratings of Corporates	354,580	-	-	-		354,580
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	1,922,855	256,942	144,495	-		2,324,292
Corporates						
- Exposures risk-weighted using ratings of Corporates	590,562	55,641	103,863	-		750,066
	2,867,997	17,362,978	248,358	-	-	20,479,333
(ii) Total unrated exposures					-	-
Total Short Term Exposure	2,867,997	17,362,978	248,358	-	-	20,479,333
Group Total Long Term and Short Term Exposure :						105,155,402

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2017

Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	363,559	6,800,895	-	-	-	-	-	7,164,454
PSEs								
- Exposures risk-weighted using ratings of Corporates	30,000	177,671	879,480	-	-	-	-	1,087,151
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,774,939	2,677,352	255,195	34,089	32,504	-	-	5,774,079
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	6,199	-	-	-	-	-	6,199
- Exposures risk-weighted using ratings of Banking Institutions	8,704	4,000	-	-	-	-	-	12,704
- Exposures risk-weighted using ratings of Corporates	2,044,080	1,052,903	636,944	-	-	-	-	3,733,927
	5,221,282	10,719,020	1,771,619	34,089	32,504	-	-	17,778,514
(ii) Total unrated exposures								
							48,274,099	48,274,099
Total Long Term Exposure	5,221,282	10,719,020	1,771,619	34,089	32,504	-	48,274,099	66,052,613

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2017

Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	9,404,189	-	-		9,404,189
PSEs						
- Exposures risk-weighted using ratings of Corporates	121,530	-	-	-		121,530
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	3,782,550	839,102	59,515	-		4,681,167
Corporates						
- Exposures risk-weighted using ratings of Corporates	363,912	1,001	-	-		364,913
	4,267,992	10,244,292	59,515	-	-	14,571,799
(ii) Total unrated exposures					-	-
Total Short Term Exposure	4,267,992	10,244,292	59,515	-	-	14,571,799

Bank Total Long Term and Short Term Exposure :	80,624,412
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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2016

Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	673,046	10,336,691	-	-	-	-		11,009,737
PSEs								
- Exposures risk-weighted using ratings of Corporates	-	3,642	28,754	-	-	-		32,396
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	3,489,081	1,325,710	379,293	17,967	9,164	-		5,221,215
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	1,165	-	-	-	-		1,165
- Exposures risk-weighted using ratings of Banking Institutions	-	4,294	-	-	-	-		4,294
- Exposures risk-weighted using ratings of Corporates	1,273,961	1,363,748	708,158	17,595	-	-		3,363,462
	5,436,088	13,035,250	1,116,205	35,562	9,164	-	-	19,632,269
(ii) Total unrated exposures								
							49,666,707	49,666,707
Total Long Term Exposure	5,436,088	13,035,250	1,116,205	35,562	9,164	-	49,666,707	69,298,976

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2016

Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	14,543,210	-	-		14,543,210
PSEs						
- Exposures risk-weighted using ratings of Corporates	204,580	-	-	-		204,580
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	3,784,372	256,942	144,495	-		4,185,809
Corporates						
- Exposures risk-weighted using ratings of Corporates	284,273	-	103,863	-		388,136
	4,273,225	14,800,152	248,358	-	-	19,321,735
(ii) Total unrated exposures					-	-
Total Short Term Exposure	4,273,225	14,800,152	248,358	-	-	19,321,735

Bank Total Long Term and Short Term Exposure :	88,620,711
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Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

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 financing 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 bank;
- 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 reverse 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 appointment of panel valuers is conducted via Vendor Risk Management whereby due diligence is undertaken in accordance with Suppliers Risk Management and Third Party Associated Persons Bribery Risk Assessment and Due Diligence Policy at the origination of the relationship in accordance with Group Third Party Risk Management Policy.

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

(g) Risk management policies (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.

31 Dec 2017

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	20,095,774	-	-	-
PSEs	2,791,432	-	-	-
Banks, DFIs & MDBs	4,188,627	-	1,585,647	-
Corporates	21,851,696	220,491	842,975	-
Regulatory Retail	5,786,585	20,220	103,179	-
Residential Mortgages	19,943,787	-	19,314	-
Higher Risk Assets	24,989	-	-	-
Other Assets	802,211	-	-	-
Equity Exposure	176,679	-	-	-
Defaulted Exposures	644,982	10,780	14,556	-
Total for On-Balance Sheet Exposures	76,306,762	251,491	2,565,671	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,634,468	-	893,859	1,464,587
Off balance sheet exposures other than OTC derivatives or credit derivatives	17,086,151	386,757	439,734	-
Defaulted Exposures	7,633	-	-	-
Total for Off-Balance Sheet Exposures	21,728,252	386,757	1,333,593	1,464,587
Total On and Off-Balance Sheet Exposures	98,035,014	638,248	3,899,264	1,464,587

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

(g) Risk management policies (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 2016

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	29,277,255	-	-	-
PSEs	1,299,977	-	-	-
Banks, DFIs & MDBs	2,149,204	-	-	-
Corporates	18,884,047	502,916	1,071,125	-
Regulatory Retail	6,135,979	31,947	157,606	-
Residential Mortgages	20,182,262	-	18,739	-
Higher Risk Assets	2,944	-	-	-
Other Assets	866,774	-	-	-
Equity Exposure	166,887	-	-	-
Defaulted Exposures	832,841	2,958	20,491	-
Total for On-Balance Sheet Exposures	79,798,170	537,821	1,267,961	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,127,481	-	969,506	1,643,625
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,220,941	217,869	406,242	-
Defaulted Exposures	8,810	-	-	-
Total for Off-Balance Sheet Exposures	25,357,232	217,869	1,375,748	1,643,625
Total On and Off-Balance Sheet Exposures	105,155,402	755,690	2,643,709	1,643,625

Note:

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

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

(g) Risk management policies (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.

31 Dec 2017
Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	16,387,492	-	-	-
PSEs	1,740,704	-	-	-
Banks, DFIs & MDBs	6,948,297	-	1,585,647	-
Corporates	16,473,671	214,080	733,374	-
Regulatory Retail	3,397,411	8,293	83,566	-
Residential Mortgages	15,584,111	-	16,438	-
Higher Risk Assets	24,989	-	-	-
Other Assets	680,506	-	-	-
Equity Exposure	176,679	-	-	-
Defaulted Exposures	475,304	5,999	10,747	-
Total for On-Balance Sheet Exposures	61,889,164	228,372	2,429,772	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,662,208	-	893,859	1,464,587
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,066,874	216,464	356,999	-
Defaulted Exposures	6,166	-	-	-
Total for Off-Balance Sheet Exposures	18,735,248	216,464	1,250,858	1,464,587
Total On and Off-Balance Sheet Exposures	80,624,412	444,836	3,680,630	1,464,587

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

(g) Risk management policies (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 2016

Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	25,390,983	-	-	-
PSEs	984,657	-	-	-
Banks, DFIs & MDBs	4,640,949	-	-	-
Corporates	14,334,289	368,732	954,398	-
Regulatory Retail	3,667,359	17,631	126,803	-
Residential Mortgages	15,839,394	-	15,865	-
Higher Risk Assets	2,944	-	-	-
Other Assets	724,879	-	-	-
Equity Exposure	166,887	-	-	-
Defaulted Exposures	650,350	1,107	18,521	-
Total for On-Balance Sheet Exposures	66,402,691	387,470	1,115,587	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,310,800	-	969,506	1,643,625
Off balance sheet exposures other than OTC derivatives or credit derivatives	15,899,528	106,174	308,364	-
Defaulted Exposures	7,692	-	-	-
Total for Off-Balance Sheet Exposures	22,218,020	106,174	1,277,870	1,643,625
Total On and Off-Balance Sheet Exposures	88,620,711	493,644	2,393,457	1,643,625

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

iii) Counterparty Credit Risk

In respect of counterparty credit risk exposures which arise from OTC derivative transactions, a credit limit for counterparty credit risk (CCR) is assigned, monitored and reported in accordance with the Group risk methodology. The credit limit established takes into account the gross contract amount and the future potential exposure measured on the basis of 95 percentile potential worst case loss estimates for the product involved. These methods of calculating credit exposures apply to all counterparties and differences in credit quality are reflected in the size of the limits.

The credit equivalent amount and risk-weighted amount of the relevant transaction is determined following the regulatory capital requirements. The risk-weighted amount is calculated in accordance with the counterparty risk weighting as per the standardised approach.

The policy for secured collateral on derivatives is guided by the Group's Internal Best Practice Guidelines ensuring the due diligence necessary to fully understand the effectiveness of netting and collateralisation by jurisdiction, counterparty, product and agreement type is fully assessed and that the due-diligence standards are high and consistently applied.

4) Collateral Arrangements

To calculate counterparty's net risk position for counterparty credit risk, the Group revalue all financial instruments and associated collateral positions on a daily basis. A dedicated Collateral Management function independently monitors counterparties' associated collateral positions and manages a process which ensures that calls for collateral top-ups or exposure reductions are made promptly. Processes exist for the resolution of situations where the level of collateral is disputed or the collateral sought is not received.

Eligible collateral types are documented by Credit Support Annexes (CSA) of the International Swaps and Derivatives Association (ISDA) Master Agreement and are controlled under a policy which ensures the collateral agreed to be taken exhibits characteristics such as price transparency, price stability, liquidity, enforceability, independence, reusability and eligibility for regulatory purposes. A valuation 'haircut' policy reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement. In practice, 95 percent of collateral held as credit risk mitigants under CSAs is either cash or government securities.

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

(g) Risk management policies (Cont'd)

5) Interest Rate Risk/Profit Rate Risk

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)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	36,272	(83,246)	120,794	(175,006)
USD	22,261	(23,086)	2,181	(14,385)
Others	1,485	(13,783)	761	(14,172)
	60,018	(120,115)	123,736	(203,563)

	Bank (RM'000)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	66,069	(101,520)	143,505	(187,496)
USD	13,799	(13,120)	6,948	(16,589)
Others	1,917	(13,288)	1,243	(14,046)
	81,785	(127,928)	151,696	(218,131)

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)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	55,241	(55,343)	173,566	(224,962)
USD	42,277	(55,061)	(4,449)	(13,505)
Others	135,404	(116,274)	90,104	(54,032)
	232,922	(226,678)	259,221	(292,499)

	Bank (RM'000)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	159,861	(174,482)	352,701	(426,058)
USD	42,645	(53,329)	26,575	(37,268)
Others	116,808	(96,523)	87,260	(53,182)
	319,314	(324,334)	466,536	(516,508)

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

(g) Risk management policies (Cont'd)

5) Interest Rate Risk/Profit Rate Risk (Cont'd)

Sensitivity of projected Net Interest/Finance Income (Cont'd)

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)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(155,455)	155,455	(104,004)	104,004
USD	(10,549)	10,549	(11,996)	11,996
CNY	(156)	156	-	-
	(166,160)	166,160	(116,000)	116,000

	Bank (RM'000)			
	31 Dec 2017		31 Dec 2016	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(120,067)	120,067	(76,958)	76,958
USD	(10,549)	10,549	(11,996)	11,996
CNY	(156)	156	-	-
	(130,772)	130,772	(88,954)	88,954

6) Equities

At 31 December 2017, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 31 December 2017 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 9 of the financial statements at 31 December 2017 on the Group's holdings of equity investments.

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

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 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 an 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 in 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 Disclosures (Cont'd)

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 Monitoring

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 year ended 31 December 2017, no actual Shariah non-compliance event has been identified.

b. Shariah Non-Compliance Income:

During the financial year ended 31 December 2017, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i) The amount of RM4,413 in the Account was carried forward from 2016 to 2017.
- ii) Income from inadvertent Shariah non-compliance activities identified by HBMS's management amounted to RM12,870 as at 31 December 2017 received from transactions via Nostro Accounts has been reversed to the Account.
- iii) RM16,595 was donated to Feed a Family 2017.

The balance of RM688 in the Account is pending distribution in 2018.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial year ended 31 December 2017.