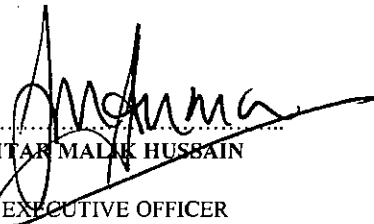


**HSBC BANK MALAYSIA BERHAD**  
(Company No.127776-V)  
(Incorporated in Malaysia)  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures**  
at 31 December 2014

**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 Disclosures set out on pages 2-39 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

  
.....  
MUKHTAR MALIK HUSSAIN  
CHIEF EXECUTIVE OFFICER  
10 February 2015

**HSBC BANK MALAYSIA BERHAD**  
**(Company No.127776-V)**  
**(Incorporated in Malaysia)**  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures**  
**at 31 December 2014**

---

**(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, 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 2014. 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 at 31 December 2014.

**(c) Consolidation basis**

The basis of consolidation for financial accounting purposes is described in Note 3(a) of the financial statements at 31 December 2014 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. During 2014, none of the Group's subsidiaries were subject to any significant restriction on paying dividends or repaying inter-company loans and advances.

**(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 Bank Negara Malaysia (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 (Cont'd)**

### **(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;
- 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 2014 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

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 should be conducted on entity level and on a bank-wide basis.

Stress testing and scenario analysis form an integral part of ICAAP to demonstrate that the Group can maintain risk capital sufficient enough to sustain operations during an economic downturn. Essentially, stress testing is to make risks more transparent by estimating potential losses on exposures under abnormal market or economic 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. 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 BNM's Guideline on Stress Testing and the Group's Policy Paper for Stress Testing, a Stress Test Steering Committee ('STSC') has been established.

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 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.

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) and BOD prior to submission to BNM.

#### Governance

The STSC is delegated the power to design the stress testing, including the determination of stress events, risk factors and assumptions applied, deliberation on the results of stress testing and proposed actions to be taken. Based on the STSC recommendations, RMC and BOD can then endorse the stress testing results and propose mitigating actions.

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

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

#### 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 RMC for endorsement, and subsequently tabled to the Board Risk Committee (BRC) for recommendation to the BOD for approval.

### **(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 is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 Capital. CET1 Capital includes ordinary share capital\*, share premium, 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 2014. (Refer to Note 37 of the financial statements at 31 December 2014 for the amount of Tier 1 capital and a breakdown of its components).

\* *Refer to Note 24 of the financial statements at 31 December 2014 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.*

- Tier 2 capital includes qualifying subordinated liabilities\*\*, 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 the regulatory adjustments. (Refer to Note 37 of the financial statements at 31 December 2014 for the amount of Tier 2 capital and a breakdown of its components).

\*\* *Refer to Note 23 of the financial statement at 31 December 2014 for terms and conditions of the subordinated liabilities.*

### **(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 2014 for the Group's risk managements policies on the above mentioned risks.

**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 ('RWAs') and capital requirements for credit risk, market risk and operational risk of the Group at the balance sheet date.

At 31 December 2014, the RWA risk absorbent profit sharing investment account in the Bank amounted to RM415,740,000. Both the principal amount and risk weighted asset 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 2014**  
**(RM'000)**

*Group*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b><u>Credit Risk</u></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	27,411,534	27,411,534	-	-
Public Sector Entities	642,604	642,604	588,070	47,045
Banks, Development Financial Institutions & MDBs	5,816,337	5,816,337	1,343,392	107,471
Corporates	17,282,158	16,509,405	15,863,531	1,269,082
Regulatory Retail	6,625,915	6,454,873	4,688,148	375,052
Residential Mortgages	18,946,764	18,923,044	7,509,159	600,733
Higher Risk Assets	11,743	11,743	17,614	1,409
Other Assets	842,036	842,036	524,535	41,962
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	556,324	546,502	567,685	45,415
<b>Total for On-Balance Sheet Exposures</b>	<b>78,152,323</b>	<b>77,174,986</b>	<b>31,119,042</b>	<b>2,489,522</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,545,966	4,545,966	2,141,963	171,358
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,758,694	14,476,240	12,132,367	970,589
Defaulted Exposures	81,199	69,848	103,870	8,309
<b>Total for Off-Balance Sheet Exposures</b>	<b>19,385,859</b>	<b>19,092,054</b>	<b>14,378,200</b>	<b>1,150,256</b>
<b>Total On and Off-Balance Sheet Exposures *</b>	<b>97,538,182</b>	<b>96,267,040</b>	<b>45,497,242</b>	<b>3,639,778</b>
<b><u>Market Risk (Standardised approach)</u></b>				
	<b><u>Long Position</u></b>	<b><u>Short Position</u></b>		
Interest/Profit Rate Risk	68,742,191	67,173,042	1,569,149	1,409,189
Foreign Currency Risk	99,696	61,238	99,696	7,976
Options Risk	-	-	229,423	18,354
	<b>68,841,887</b>	<b>67,234,280</b>	<b>1,668,845</b>	<b>1,738,308</b>
<b>Operational Risk (Standardised approach)</b>	-	-	5,711,241	456,899
<b>Total RWA and Capital Requirement</b>	-	-	<b>52,946,791</b>	<b>4,235,742</b>

**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)**

At 31 December 2013, the RWA risk absorbent profit sharing investment account in the Bank amounted to RM629,760,000. Both the principal amount and risk weighted asset 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 2013  
(RM'000)

Exposure Class	<i>Group</i>			
	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	25,541,207	25,541,207	-	-
Public Sector Entities	88,283	88,283	19,216	1,537
Banks, Development Financial Institutions & MDBs	7,461,858	7,461,858	1,763,883	141,111
Corporates	17,243,190	16,537,877	15,661,549	1,252,924
Regulatory Retail	6,763,053	6,592,947	4,976,168	398,093
Residential Mortgages	17,492,155	17,467,280	6,965,913	557,273
Higher Risk Assets	48	48	72	6
Other Assets	1,141,014	1,141,014	823,278	65,862
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	565,927	554,076	577,322	46,186
Total for On-Balance Sheet Exposures	76,313,643	75,401,498	30,804,309	2,464,345
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,157,766	4,157,766	1,862,980	149,038
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,917,612	12,624,568	10,694,514	855,561
Defaulted Exposures	192,713	174,391	259,702	20,776
Total for Off-Balance Sheet Exposures	17,268,091	16,956,725	12,817,196	1,025,375
Total On and Off-Balance Sheet Exposures *	93,581,734	92,358,223	43,621,505	3,489,720
<i>Market Risk (Standardised Approach)</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	74,737,558	74,066,002	671,556	133,291
Foreign Currency Risk	68,331	61,926	68,331	5,467
Options Risk	-	-	-	335,417
	74,805,889	74,127,928	739,887	165,591
Operational Risk (Standardised Approach)	-	-	-	5,632,809
Total RWA and Capital Requirement	-	-	-	51,324,205
				4,105,936

*Note:*

*MDBs - Multilateral Development Banks*

*OTC - Over the counter*

\* 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) within this disclosure document.

Refer to Note 38 of the financial statements at 31 December 2014 for disclosure of off-balance sheet and Note 37 for disclosure of counterparty credit risk.

**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 2014

Bank

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b><u>Credit Risk</u></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	22,504,296	22,504,296	-	-
Public Sector Entities	266,097	266,097	211,563	16,925
Banks, Development Financial Institutions & MDBs	8,061,886	8,061,886	1,787,235	142,979
Corporates	13,122,518	12,412,408	11,949,178	955,934
Regulatory Retail	4,558,059	4,416,672	3,154,063	252,325
Residential Mortgages	15,105,258	15,084,307	5,939,053	475,124
Higher Risk Assets	11,743	11,743	17,614	1,409
Other Assets	634,368	634,368	416,337	33,307
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	451,245	442,381	455,652	36,452
<b>Total for On-Balance Sheet Exposures</b>	<b>64,732,378</b>	<b>63,851,066</b>	<b>23,947,603</b>	<b>1,915,808</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,761,093	4,761,093	2,133,828	170,706
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,009,235	11,784,637	10,078,680	806,294
Defaulted Exposures	74,927	63,671	94,604	7,568
<b>Total for Off-Balance Sheet Exposures</b>	<b>16,845,255</b>	<b>16,609,401</b>	<b>12,307,112</b>	<b>984,568</b>
<b>Total On and Off-Balance Sheet Exposures *</b>	<b>81,577,633</b>	<b>80,460,467</b>	<b>36,254,715</b>	<b>2,900,376</b>
<b><u>Market Risk (Standardised Approach)</u></b>				
	<b><u>Long Position</u></b>	<b><u>Short Position</u></b>		
Interest/Profit Rate Risk	64,475,175	62,317,660	2,157,515	1,308,745
Foreign Currency Risk	89,787	58,603	89,787	7,183
Options Risk	-	-	-	229,423
	<b>64,564,962</b>	<b>62,376,263</b>	<b>2,247,302</b>	<b>1,627,955</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,079,063</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>42,961,733</b>
				<b>3,436,938</b>

**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 2013  
(RM'000)

*Bank*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	20,828,670	20,828,670	-	-
Public Sector Entities	21,131	21,131	5,786	463
Banks, Development Financial Institutions & MDBs	8,154,604	8,154,604	1,899,046	151,924
Corporates	13,582,723	12,938,972	12,107,173	968,574
Regulatory Retail	4,662,902	4,514,468	3,413,420	273,073
Residential Mortgages	14,219,122	14,196,607	5,587,144	446,971
Higher Risk Assets	48	48	72	6
Other Assets	1,627,583	1,627,583	1,392,626	111,410
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	453,876	443,003	458,984	36,719
Total for On-Balance Sheet Exposures	63,567,567	62,741,994	24,881,159	1,990,493
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,363,965	4,363,965	1,948,484	155,879
Off balance sheet exposures other than OTC derivatives or credit derivatives	11,027,198	10,796,155	9,092,321	727,386
Defaulted Exposures	158,028	142,416	211,746	16,940
Total for Off-Balance Sheet Exposures	15,549,191	15,302,536	11,252,551	900,205
Total On and Off-Balance Sheet Exposures *	79,116,758	78,044,530	36,133,710	2,890,698
<i>Market Risk (Standardised Approach)</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	71,602,314	70,490,779	1,111,535	127,668
Foreign Currency Risk	60,371	55,432	60,371	4,830
Options Risk	-	-	-	335,417
	71,662,685	70,546,211	1,171,906	159,331
Operational Risk (Standardised Approach)	-	-	-	5,033,713
Total RWA and Capital Requirement	-	-	-	43,159,062
				3,452,726

*Note:*

*MDBs - Multilateral Development Banks*

*OTC - Over the counter*

\* 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) within this disclosure document.

Refer to Note 38 of the financial statements at 31 December 2014 for disclosure of off-balance sheet and Note 37 for disclosure of counterparty credit risk.

\* The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'.



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 at balance sheet date.

31 Dec 2014  
(RM'000)

Group

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, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	27,411,534	-	-	6,447	12,689	-	-	316,665	-	27,747,335	-
20%	-	203,515	7,496,770	1,310,285	365,088	-	-	-	-	9,375,658	1,875,131
35%	-	-	-	-	-	16,184,185	-	-	-	16,184,185	5,664,465
50%	-	26,115	2,842,705	628,125	6,225	1,222,646	-	1,872	-	4,727,688	2,363,843
75%	-	-	-	7,366	7,904,237	2,919,095	-	-	-	10,830,698	8,123,024
100%	-	996,068	110,913	23,788,304	392,644	1,434,727	-	523,491	16,908	27,263,055	27,263,054
150%	-	1,908	16,803	54,395	41,735	8,930	14,641	-	-	138,412	207,617
1250.0%	-	-	-	-	-	-	-	9	-	9	108
Total										96,267,040	45,497,242
Average Risk Weight	0%	86%	29%	95%	74%	46%	150%	62%	100%	47%	

31 Dec 2013  
(RM'000)

Group

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, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	25,551,118	-	-	8,299	17,747	-	-	317,735	-	25,894,899	-
20%	-	92,104	9,281,178	1,302,431	49,600	-	-	-	-	10,725,313	2,145,063
35%	-	-	-	-	-	14,881,558	-	-	-	14,881,558	5,208,545
50%	-	-	2,015,630	585,844	11,938	1,133,367	-	-	-	3,746,779	1,873,390
75%	-	-	-	1,528	8,287,389	3,072,845	-	-	-	11,361,762	8,521,321
100%	-	3,034	197,515	22,896,138	419,666	1,140,824	-	823,278	16,908	25,497,363	25,497,363
150%	-	-	34,041	194,745	12,769	8,855	140	-	-	250,550	375,823
Total										92,358,224	43,621,505
Average Risk Weight	0%	23%	27%	95%	76%	46%	150%	72%	100%	47%	

31 Dec 2014  
(RM'000)

Bank

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, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	22,504,296	-	-	2,662	10,042	-	-	217,195	-	22,734,195	-
20%	-	133,683	9,946,799	664,292	360,015	-	-	-	-	11,104,789	2,220,958
35%	-	-	-	-	-	13,037,459	-	-	-	13,037,459	4,563,111
50%	-	26,115	2,771,141	543,696	5,719	920,131	-	1,872	-	4,268,674	2,134,337
75%	-	-	-	3,032	5,550,930	2,588,316	-	-	-	8,142,278	6,106,708
100%	-	587,114	57,463	18,678,751	324,774	979,897	-	415,293	16,908	21,060,200	21,060,200
150%	-	1,908	13,467	51,676	23,696	7,475	14,641	-	-	112,863	169,293
1250.0%	-	-	-	-	-	-	-	9	-	9	108
Total										80,460,467	36,254,715
Average Risk Weight	0%	84%	27%	96%	73%	45%	150%	66%	100%	45%	

31 Dec 2013  
(RM'000)

Bank

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, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	20,838,298	-	-	5,619	15,037	-	-	234,956	-	21,093,910	-
20%	-	20,326	9,907,384	1,233,557	32,220	-	-	-	-	11,193,487	2,238,697
35%	-	-	-	-	-	12,375,573	-	-	-	12,375,573	4,331,451
50%	-	-	2,197,575	499,464	11,399	792,309	-	-	-	3,500,747	1,750,373
75%	-	-	-	1,528	6,009,278	2,657,831	-	-	-	8,668,637	6,501,478
100%	-	3,034	190,826	18,292,217	332,270	785,230	-	1,392,626	16,908	21,013,111	21,013,110
150%	-	-	7,523	182,869	-	8,536	140	-	-	199,068	298,600
Total										78,044,533	36,133,709
Average Risk Weight	0%	30%	27%	94%	76%	45%	150%	86%	100%	46%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

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

**(g) Risk management policies (Cont'd)**

**3) Credit Risk**

Refer to Note 4 b) of the financial statements at 31 December 2014 for definitions of past due and impaired loans. The approaches for the determination of individual and collective impairment provisions are detailed in Note 3 m) of the financial statements at 31 December 2014.

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

Group (RM'000)	31 Dec 2014				Total
	Northern	Southern	Central	Eastern	
Overdrafts	173,803	130,313	606,012	235,469	1,145,597
Term loans/financing					
Housing loans/financing	3,339,055	2,789,600	10,329,434	1,066,542	17,524,631
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	23,354	14,715	117,974	46,708	202,751
Hire purchase receivables	55,179	45,354	99,297	34,879	234,709
Lease receivables	-	-	5,373	-	5,373
Other term loans/financing	1,795,059	1,725,209	7,543,964	1,359,113	12,423,345
Bills receivable	197,489	113,131	1,869,052	132,049	2,311,721
Trust receipts	282,908	481,795	1,126,601	159,798	2,051,102
Claims on customers under acceptance credits	824,476	408,315	1,231,620	214,742	2,679,153
Staff loans/financing	39,995	23,018	227,726	20,365	311,104
Credit/charge cards	536,752	380,445	1,557,032	287,759	2,761,988
Revolving credit	246,232	250,628	3,624,361	105,342	4,226,563
Other loans/financing	2,230	948	1,606	456	5,240
	<b>7,516,532</b>	<b>6,363,471</b>	<b>28,340,052</b>	<b>3,663,222</b>	<b>45,883,277</b>

Group (RM'000)	31 Dec 2013				Total
	Northern	Southern	Central	Eastern	
Overdrafts	192,236	320,851	546,603	309,770	1,369,460
Term loans/financing					
Housing loans/financing	3,324,901	2,612,973	9,061,045	1,043,791	16,042,710
Syndicated term loan/financing	-	-	45,077	-	45,077
Factoring receivables	20,392	14,830	101,474	23,510	160,206
Hire purchase receivables	51,243	42,272	108,328	50,900	252,743
Lease receivables	27	-	2,415	-	2,442
Other term loans/financing	1,872,690	1,645,038	7,386,362	2,110,816	13,014,906
Bills receivable	105,505	100,793	3,168,450	124,810	3,499,558
Trust receipts	175,463	486,829	883,138	159,111	1,704,541
Claims on customers under acceptance credits	710,766	446,494	1,043,532	439,779	2,640,571
Staff loans/financing	39,638	23,596	223,981	24,003	311,218
Credit/charge cards	569,580	395,419	1,583,938	300,101	2,849,038
Revolving credit	226,775	285,147	2,871,567	75,580	3,459,069
Other loans/financing	2,531	1,961	4,053	248	8,793
	<b>7,291,747</b>	<b>6,376,203</b>	<b>27,029,963</b>	<b>4,662,419</b>	<b>45,360,332</b>

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.

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

**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**

Bank (RM'000)	31 Dec 2014				Total
	Northern	Southern	Central	Eastern	
Overdrafts	159,344	108,509	551,006	233,530	1,052,389
Term loans/financing					
Housing loans/financing	2,881,839	2,304,956	8,130,484	898,293	14,215,572
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	23,354	14,715	117,974	46,708	202,751
Hire purchase receivables	-	179	-	-	179
Other term loans/financing	1,292,022	961,011	4,154,956	1,125,142	7,533,131
Bills receivable	197,489	113,131	1,869,052	132,049	2,311,721
Trust receipts	160,379	463,399	911,896	156,837	1,692,511
Claims on customers under acceptance credits	737,202	293,345	822,661	206,687	2,059,895
Staff loans/financing	35,724	19,844	191,122	16,525	263,215
Credit/charge cards	436,974	306,289	1,259,045	259,860	2,262,168
Revolving credit	221,138	247,608	3,034,399	105,179	3,608,324
Other loans/financing	2,230	948	1,606	456	5,240
	<b>6,147,695</b>	<b>4,833,934</b>	<b>21,044,201</b>	<b>3,181,266</b>	<b>35,207,096</b>

Bank (RM'000)	31 Dec 2013				Total
	Northern	Southern	Central	Eastern	
Overdrafts	180,867	299,045	496,732	302,540	1,279,184
Term loans/financing					
Housing loans/financing	2,840,209	2,135,208	7,538,328	868,970	13,382,715
Syndicated term loan/financing			45,077		45,077
Factoring receivables	20,392	14,830	101,474	23,510	160,206
Hire purchase receivables		183	-		183
Other term loans/financing	1,353,045	964,397	3,946,033	1,892,523	8,155,998
Bills receivable	105,505	100,793	3,168,450	124,810	3,499,558
Trust receipts	158,462	485,868	846,061	159,111	1,649,502
Claims on customers under acceptance credits	547,022	335,175	699,591	398,100	1,979,888
Staff loans/financing	34,503	20,441	189,138	20,621	264,703
Credit/charge cards	471,996	325,902	1,306,011	274,295	2,378,204
Revolving credit	173,862	278,524	2,692,926	75,408	3,220,720
Other loans/financing	2,531	1,961	4,053	248	8,793
	<b>5,888,394</b>	<b>4,962,327</b>	<b>21,033,874</b>	<b>4,140,136</b>	<b>36,024,731</b>

**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 2014				
	Northern	Southern	Central	Eastern	Total
Overdrafts	6,844	1,665	19,957	10,062	38,528
Term loans/financing					
Housing loans/financing	66,560	54,224	163,114	12,844	296,742
Factoring receivables	868	-	-	-	868
Hire purchase receivables	6,006	460	737	4,735	11,938
Other term loans/financing	46,075	17,280	143,042	25,969	232,366
Bills receivable	308	7,730	-	-	8,038
Trust receipts	1,547	-	6,744	2,667	10,958
Claims on customers under acceptance credits	387	1,633	14,627	7,126	23,773
Staff loans/financing	209	54	3,273	37	3,573
Credit/charge cards	12,777	8,405	30,084	4,285	55,551
Revolving credit	-	-	4,372	-	4,372
Other loans/financing	674	245	481	138	1,538
	<b>142,255</b>	<b>91,696</b>	<b>386,431</b>	<b>67,863</b>	<b>688,245</b>

Group (RM'000)	31 Dec 2013				
	Northern	Southern	Central	Eastern	Total
Overdrafts	7,861	7,002	10,195	1,786	26,844
Term loans/financing					
Housing loans/financing	74,104	73,781	164,790	11,327	324,002
Factoring receivables	-	27	10,356	-	10,383
Hire purchase receivables	4,171	2,953	312	417	7,853
Other term loans/financing	54,447	37,067	146,666	32,860	271,040
Bills receivable	490	8,028	14,144	-	22,662
Trust receipts	157	4,040	4,979	2,548	11,724
Claims on customers under acceptance credits	10,785	22,131	4,360	6,443	43,719
Staff loans/financing	181	-	3,324	211	3,716
Credit/charge cards	13,440	9,038	31,225	3,890	57,593
Revolving credit	-	-	4,101	-	4,101
Other loans/financing	2,528	1,959	4,033	208	8,728
	<b>168,164</b>	<b>166,026</b>	<b>398,485</b>	<b>59,690</b>	<b>792,365</b>

**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**

	31 Dec 2014				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	6,606	1,665	19,343	10,062	37,676
Term loans/financing					
Housing loans/financing	52,936	46,629	129,463	11,807	240,835
Factoring receivables	868	-	-	-	868
Hire purchase receivables	-	179	-	-	179
Other term loans/financing	35,719	6,435	88,892	23,181	154,227
Bills receivable	308	7,730	-	-	8,038
Trust receipts	1,547	-	6,744	2,667	10,958
Claims on customers under acceptance credits	285	1,030	13,912	7,126	22,353
Staff loans/financing	209	54	3,273	37	3,573
Credit/charge cards	9,239	6,484	21,971	3,707	41,401
Revolving credit	-	-	4,372	-	4,372
Other loans/financing	674	245	481	138	1,538
	<b>108,391</b>	<b>70,451</b>	<b>288,451</b>	<b>58,725</b>	<b>526,018</b>

	31 Dec 2013				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	7,438	7,002	9,740	1,786	25,966
Term loans/financing					
Housing loans/financing	57,165	59,362	130,650	9,895	257,072
Factoring receivables	-	27	10,356	-	10,383
Hire purchase receivables	-	183	-	-	183
Other term loans/financing	41,725	30,317	93,094	30,052	195,188
Bills receivable	490	8,028	14,144	-	22,662
Trust receipts	157	4,040	4,979	2,548	11,724
Claims on customers under acceptance credits	9,706	22,131	4,054	6,443	42,334
Staff loans/financing	181	-	3,324	211	3,716
Credit/charge cards	10,166	6,768	23,228	3,240	43,402
Revolving credit	-	-	4,101	-	4,101
Other loans/financing	2,528	1,959	4,033	208	8,728
	<b>129,556</b>	<b>139,817</b>	<b>301,703</b>	<b>54,383</b>	<b>625,459</b>

**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 2014			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,145,597	-	-	-	1,145,597
Term loans/financing					
Housing loans/financing	55,135	76,020	199,856	17,193,620	17,524,631
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	202,751	-	-	-	202,751
Hire purchase receivables	12,287	89,426	132,214	782	234,709
Lease receivables	-	1,696	3,677	-	5,373
Other term loans/financing	3,379,744	2,281,022	2,203,084	4,559,495	12,423,345
Bills receivable	2,311,721	-	-	-	2,311,721
Trust receipts	2,051,102	-	-	-	2,051,102
Claims on customers under acceptance credits	2,679,153	-	-	-	2,679,153
Staff loans/financing	3,928	14,660	36,783	255,733	311,104
Credit/charge cards	2,761,988	-	-	-	2,761,988
Revolving credit	4,226,563	-	-	-	4,226,563
Other loans/financing	5,240	-	-	-	5,240
	<b>18,835,209</b>	<b>2,462,824</b>	<b>2,575,614</b>	<b>22,009,630</b>	<b>45,883,277</b>

		31 Dec 2013			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,369,460	-	-	-	1,369,460
Term loans/financing					
Housing loans/financing	73,184	83,854	185,648	15,700,024	16,042,710
Syndicated term loan/financing	-	45,077	-	-	45,077
Factoring receivables	160,206	-	-	-	160,206
Hire purchase receivables	17,991	103,233	131,082	437	252,743
Lease receivables	28	-	2,414	-	2,442
Other term loans/financing	3,705,531	2,095,019	1,963,262	5,251,094	13,014,906
Bills receivable	3,499,558	-	-	-	3,499,558
Trust receipts	1,704,541	-	-	-	1,704,541
Claims on customers under acceptance credits	2,640,571	-	-	-	2,640,571
Staff loans/financing	3,589	14,932	34,097	258,600	311,218
Credit/charge cards	2,849,038	-	-	-	2,849,038
Revolving credit	3,459,069	-	-	-	3,459,069
Other loans/financing	8,793	-	-	-	8,793
	<b>19,491,559</b>	<b>2,342,115</b>	<b>2,316,503</b>	<b>21,210,155</b>	<b>45,360,332</b>

**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 2014			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,052,389	-	-	-	1,052,389
Term loans/financing					
Housing loans/financing	38,175	74,726	186,387	13,916,284	14,215,572
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	202,751	-	-	-	202,751
Hire purchase receivables	179	-	-	-	179
Other term loans/financing	1,059,810	1,972,006	1,481,144	3,020,171	7,533,131
Bills receivable	2,311,721	-	-	-	2,311,721
Trust receipts	1,692,511	-	-	-	1,692,511
Claims on customers under acceptance credits	2,059,895	-	-	-	2,059,895
Staff loans/financing	3,799	13,993	34,728	210,695	263,215
Credit/charge cards	2,262,168	-	-	-	2,262,168
Revolving credit	3,608,324	-	-	-	3,608,324
Other loans/financing	5,240	-	-	-	5,240
	<b>14,296,962</b>	<b>2,060,725</b>	<b>1,702,259</b>	<b>17,147,150</b>	<b>35,207,096</b>

		31 Dec 2013			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,279,184				1,279,184
Term loans/financing					
Housing loans/financing	52,515	82,441	176,959	13,070,800	13,382,715
Syndicated term loan/financing	-	45,077	-	-	45,077
Factoring receivables	160,206				160,206
Hire purchase receivables	183				183
Other term loans/financing	1,437,470	1,628,683	1,441,123	3,648,722	8,155,998
Bills receivable	3,499,558				3,499,558
Trust receipts	1,649,502				1,649,502
Claims on customers under acceptance credits	1,979,888				1,979,888
Staff loans/financing	3,542	14,566	32,276	214,319	264,703
Credit/charge cards	2,378,204				2,378,204
Revolving credit	3,220,720				3,220,720
Other loans/financing	8,793				8,793
	<b>15,669,765</b>	<b>1,770,767</b>	<b>1,650,358</b>	<b>16,933,841</b>	<b>36,024,731</b>

**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 2014 Group (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 acceptances credits	Staff loans/financing	Credit/charge cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	43,502	-	-	6,246	-	614,385	120,452	8,786	62,973	-	-	203,495	2	1,059,841
Mining and quarrying	6,864	-	-	8,940	-	110,674	-	16,112	652	-	-	281,445	-	426,246
Manufacturing	420,061	-	-	109,233	-	2,068,129	563,493	1,359,605	1,571,712	-	-	742,741	852	6,944,964
Electricity, gas and water	3,771	-	-	-	-	63,739	852	1,261	14,107	-	-	2,000	-	85,730
Construction	57,045	-	-	14,931	-	1,782,568	56,534	20,800	76,580	-	-	317,506	90	2,329,628
Real estate	16,603	-	-	-	-	994,351	44,280	-	-	-	-	643,236	1	1,698,471
Wholesale & retail trade and restaurants & hotels	201,351	-	-	30,968	-	640,851	223,883	515,200	827,761	-	-	654,563	512	3,154,948
Transport, storage and communication	25,896	-	-	20,760	-	198,505	42,243	1,725	9,010	-	-	46,201	2	351,263
Finance, insurance/takaful and business services	120,140	-	-	16,059	5,373	1,650,504	10,561	125,805	101,459	-	-	1,100,859	38	3,149,171
Household-retail	222,108	17,524,631	-	-	-	3,621,556	-	-	-	311,104	2,761,988	-	-	24,441,387
Others	28,256	-	-	27,572	-	678,083	1,249,423	1,808	14,899	-	-	234,517	3,743	2,241,628
	<b>1,145,597</b>	<b>17,524,631</b>	<b>-</b>	<b>202,751</b>	<b>5,373</b>	<b>12,423,345</b>	<b>2,311,721</b>	<b>2,051,102</b>	<b>2,679,153</b>	<b>311,104</b>	<b>2,761,988</b>	<b>4,226,563</b>	<b>5,240</b>	<b>45,883,277</b>

31 Dec 2013 Group (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 acceptances credits	Staff loans/financing	Credit/charge cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	69,741	-	-	5,887	-	1,033,522	176,014	14,105	129,748	-	-	204,283	95	1,633,395
Mining and quarrying	5,395	-	-	13,891	-	210,068	2,844	93,549	777	-	-	125,220	-	452,303
Manufacturing	336,901	-	-	115,013	-	1,813,513	613,777	1,007,064	1,514,223	-	-	874,347	2,065	6,365,423
Electricity, gas and water	8,093	-	-	-	-	90,963	1,038	2,030	20,003	-	-	2,000	-	124,127
Construction	70,944	-	-	20,843	-	1,974,303	43,444	12,520	74,912	-	-	311,673	75	2,509,216
Real estate	17,563	-	-	-	-	1,162,408	-	-	281	-	-	596,058	-	1,776,310
Wholesale & retail trade and restaurants & hotels	223,410	-	-	30,290	-	807,208	285,221	415,724	770,893	-	-	198,108	323	2,773,077
Transport, storage and communication	29,958	-	-	22,267	-	251,506	6,796	1,578	11,400	-	-	52,556	4	388,873
Finance, insurance/takaful and business services	171,171	-	45,077	19,532	2,442	1,338,728	6,875	157,070	72,712	-	-	954,588	33	2,782,322
Household-retail	413,356	16,042,710	-	575	-	3,913,217	-	-	-	311,218	2,849,038	-	-	23,530,114
Others	22,928	-	-	24,445	-	419,470	2,363,549	901	45,622	-	-	140,236	6,198	3,025,172
	<b>1,369,460</b>	<b>16,042,710</b>	<b>45,077</b>	<b>252,743</b>	<b>2,442</b>	<b>13,014,906</b>	<b>3,499,558</b>	<b>1,704,541</b>	<b>2,640,571</b>	<b>311,218</b>	<b>2,849,038</b>	<b>3,459,069</b>	<b>8,793</b>	<b>45,360,332</b>



**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 2014 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 acceptances credits	Staff loans/financing	Credit/charge cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	40,779	-	-	-	-	358,942	120,452	8,786	61,046	-	-	203,495	2	793,502
Mining and quarrying	5,591	-	-	1,559	-	109,036	-	16,112	652	-	-	125,501	-	258,451
Manufacturing	395,207	-	-	109,138	179	1,495,145	563,493	1,166,931	1,274,622	-	-	706,285	852	5,711,852
Electricity, gas and water	2,793	-	-	-	-	3,489	852	1,261	1,145	-	-	-	-	9,540
Construction	47,158	-	-	3,574	-	1,223,020	56,534	17,810	43,599	-	-	235,246	90	1,627,031
Real estate	16,164	-	-	-	-	803,764	44,280	-	-	-	-	596,236	1	1,460,445
Wholesale & retail trade and restaurants & hotels	188,247	-	-	59,859	-	437,961	223,883	355,959	581,648	-	-	513,514	512	2,361,583
Transport, storage and communication	20,202	-	-	6,921	-	28,281	42,243	1,126	5,845	-	-	33,201	2	137,821
Finance, insurance/takaful and business services	92,457	-	-	18,373	-	1,107,342	10,561	122,811	77,539	-	-	1,030,929	38	2,460,050
Household-retail	216,451	14,215,572	-	-	-	1,956,538	-	-	-	263,215	2,262,168	-	-	18,913,944
Others	27,340	-	-	3,327	-	9,613	1,249,423	1,715	13,799	-	-	163,917	3,743	1,472,877
	<b>1,052,389</b>	<b>14,215,572</b>	<b>-</b>	<b>202,751</b>	<b>179</b>	<b>7,533,131</b>	<b>2,311,721</b>	<b>1,692,511</b>	<b>2,059,895</b>	<b>263,215</b>	<b>2,262,168</b>	<b>3,608,324</b>	<b>5,240</b>	<b>35,207,096</b>

31 Dec 2013 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 acceptances credits	Staff loans/financing	Credit/charge cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	59,854	-	-	-	-	685,657	176,014	14,105	126,028	-	-	204,283	95	1,266,036
Mining and quarrying	3,991	-	-	559	-	121,675	2,844	93,549	777	-	-	125,220	-	348,615
Manufacturing	319,850	-	-	88,520	183	1,241,270	613,777	998,860	1,160,677	-	-	821,707	2,065	5,246,909
Electricity, gas and water	7,123	-	-	-	-	20,349	1,038	2,030	3,019	-	-	-	-	33,559
Construction	60,179	-	-	502	-	1,425,291	43,444	9,319	42,999	-	-	262,423	75	1,844,232
Real estate	17,320	-	-	-	-	910,875	-	-	281	-	-	593,358	-	1,521,834
Wholesale & retail trade and restaurants & hotels	212,820	-	-	41,900	-	551,627	285,221	375,125	531,285	-	-	116,949	323	2,115,250
Transport, storage and communication	20,696	-	-	12,808	-	26,626	6,796	985	4,143	-	-	42,556	4	114,614
Finance, insurance/takaful and business services	151,651	-	45,077	14,094	-	812,906	6,875	154,711	66,324	-	-	954,588	33	2,206,259
Household-retail	406,895	13,382,715	-	-	-	2,097,925	-	-	-	264,703	2,378,204	-	-	18,530,442
Others	18,805	-	-	1,823	-	261,797	2,363,549	818	44,355	-	-	99,636	6,198	2,796,981
	<b>1,279,184</b>	<b>13,382,715</b>	<b>45,077</b>	<b>160,206</b>	<b>183</b>	<b>8,155,998</b>	<b>3,499,558</b>	<b>1,649,502</b>	<b>1,979,888</b>	<b>264,703</b>	<b>2,378,204</b>	<b>3,220,720</b>	<b>8,793</b>	<b>36,024,731</b>

**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 2014 Group (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	370	-	-	592	-	-	-	-	-	-	2	964
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	1,547	-	868	5,644	27,608	5,383	6,409	-	-	-	715	48,174
Electricity, gas and water	-	-	-	3	-	-	-	-	-	-	-	3
Construction	1,379	-	-	40,306	-	2,667	-	-	-	70	90	44,512
Real estate	-	-	-	7	-	-	-	-	-	-	1	8
Wholesale & retail trade and restaurants & hotels	30,334	-	-	1,356	7,201	8,038	2,908	17,090	-	4,302	513	71,742
Transport, storage and communication	915	-	-	4,124	1,399	-	-	-	-	-	2	6,440
Finance, insurance/takaful and business services	343	-	-	623	630	-	-	-	-	-	-	1,596
Household-retail	3,640	296,742	-	154,210	-	-	-	3,573	55,551	-	-	513,716
Others	-	-	-	191	410	-	274	-	-	-	215	1,090
	<b>38,528</b>	<b>296,742</b>	<b>868</b>	<b>11,938</b>	<b>232,366</b>	<b>8,038</b>	<b>10,958</b>	<b>23,773</b>	<b>3,573</b>	<b>55,551</b>	<b>4,372</b>	<b>688,245</b>

31 Dec 2013 Group (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	-	-	-	366	10	-	-	-	-	-	95	471
Mining and quarrying	163	-	-	-	-	-	-	-	-	-	-	163
Manufacturing	5,221	-	8,230	6,291	41,578	999	5,661	32,268	-	-	6,812	107,060
Electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-
Construction	4,969	-	-	47,659	-	2,548	-	-	-	67	75	55,318
Real estate	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	9,187	-	2,153	354	8,567	21,653	3,515	11,451	-	4,034	324	61,238
Transport, storage and communication	741	-	-	1,023	-	-	-	-	-	-	3	1,767
Finance, insurance/takaful and business services	425	-	-	346	1,068	-	-	-	-	-	32	1,871
Household-retail	6,138	323,824	-	694	170,746	-	-	3,716	57,593	-	-	562,711
Others	-	178	-	168	33	-	-	-	-	-	1,387	1,766
	<b>26,844</b>	<b>324,002</b>	<b>10,383</b>	<b>7,853</b>	<b>271,040</b>	<b>22,662</b>	<b>11,724</b>	<b>43,719</b>	<b>3,716</b>	<b>57,593</b>	<b>4,101</b>	<b>792,365</b>

**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 2014 Bank (RM'000)													
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	370	-	-	-	592	-	-	-	-	-	2	964	
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	1,541	-	868	179	20,090	-	5,383	5,806	-	-	715	34,582	
Construction	1,208	-	-	-	39,695	-	2,667	-	-	70	90	43,730	
Real estate	-	-	-	-	7	-	-	-	-	-	1	8	
Wholesale & retail trade and restaurants & hotels	30,334	-	-	-	6,433	8,038	2,908	16,273	-	4,302	513	68,801	
Transport, storage and communication	240	-	-	-	528	-	-	-	-	-	2	770	
Finance, insurance/takaful and business services	343	-	-	-	628	-	-	-	-	-	-	971	
Household-retail	3,640	240,835	-	-	86,250	-	-	3,573	41,401	-	-	375,699	
Others	-	-	-	-	4	-	-	274	-	-	215	493	
	<b>37,676</b>	<b>240,835</b>	<b>868</b>	<b>179</b>	<b>154,227</b>	<b>8,038</b>	<b>10,958</b>	<b>22,353</b>	<b>3,573</b>	<b>41,401</b>	<b>4,372</b>	<b>1,538</b>	<b>526,018</b>

31 Dec 2013 Bank (RM'000)													
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	-	-	-	366	10	-	-	-	-	-	95	471	
Mining and quarrying	163	-	-	-	-	-	-	-	-	-	-	163	
Manufacturing	5,216	-	8,230	183	41,578	999	5,661	32,023	-	-	6,812	100,702	
Construction	4,787	-	-	-	45,386	-	2,548	-	-	67	75	52,863	
Real estate	-	-	-	-	-	-	-	-	-	-	-	-	
Wholesale & retail trade and restaurants & hotels	9,187	-	2,153	-	7,969	21,653	3,515	10,311	-	4,034	324	59,146	
Transport, storage and communication	50	-	-	-	754	-	-	-	-	-	3	807	
Finance, insurance/takaful and business services	425	-	-	-	1,068	-	-	-	-	-	32	1,525	
Household-retail	6,138	256,894	-	-	98,057	-	-	3,716	43,402	-	-	408,207	
Others	-	178	-	-	10	-	-	-	-	-	1,387	1,575	
	<b>25,966</b>	<b>257,072</b>	<b>10,383</b>	<b>183</b>	<b>195,188</b>	<b>22,662</b>	<b>11,724</b>	<b>42,334</b>	<b>3,716</b>	<b>43,402</b>	<b>4,101</b>	<b>8,728</b>	<b>625,459</b>

**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 \***

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Agricultural, hunting, forestry and fishing	5,237	2,127	5,237	2,127
Mining and quarrying	-	736	-	736
Manufacturing	259,891	483,157	187,869	454,713
Electricity, gas and water	16	1	-	1
Construction	241,711	249,682	237,567	238,699
Real estate	43	-	43	-
Wholesale & retail trade and restaurants & hotels	389,351	276,429	373,767	267,070
Transport, storage and communication	34,227	7,939	4,183	3,644
Finance, insurance/takaful and business services	8,587	8,434	5,275	6,886
Household-retail	2,772,342	2,534,434	2,041,015	1,843,231
Others	5,841	7,966	2,678	7,112
	<b>3,717,246</b>	<b>3,570,905</b>	<b>2,857,634</b>	<b>2,824,219</b>

**Table 7: All past due loans/financing breakdown by geographical location\***

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Northern region	768,282	757,722	588,843	585,002
Southern region	495,304	748,585	382,731	631,334
Central region	2,086,211	1,795,293	1,567,032	1,362,320
Eastern region	367,449	269,305	319,028	245,563
	<b>3,717,246</b>	<b>3,570,905</b>	<b>2,857,634</b>	<b>2,824,219</b>

\* 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 2014 respectively.

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

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Agricultural, hunting, forestry and fishing	1	121	1	116
Manufacturing	28,996	67,959	23,636	62,524
Construction	15,464	40,194	15,122	39,388
Real estate	7	773	7	773
Wholesale & retail trade and restaurants & hotels	46,968	39,012	45,846	37,820
Transport, storage and communication	4,727	526	241	3
Finance, insurance/takaful and business services	126	171	57	84
Household-retail	138,229	168,769	105,787	135,680
Others	2	587	2	587
	<b>234,520</b>	<b>318,112</b>	<b>190,699</b>	<b>276,975</b>

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

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Agricultural, hunting, forestry and fishing	3,127	4,715	-	-
Mining and quarrying	1,970	1,331	-	-
Manufacturing	50,814	54,209	36,401	39,923
Electricity, gas and water	5,917	7,821	5,023	6,659
Construction	11,858	12,172	3,614	3,648
Real estate	22,516	35,400	19,722	32,134
Wholesale & retail trade and restaurants & hotels	14,637	10,273	5,337	1,845
Transport, storage and communication	3,117	4,221	664	708
Finance, insurance/takaful and business services	8,089	7,392	-	-
Household-retail	235,013	221,468	170,505	157,724
Others	31,002	23,314	21,977	20,385
	<b>388,060</b>	<b>382,316</b>	<b>263,243</b>	<b>263,026</b>

**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 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Northern region	13,984	25,101	9,947	19,058
Southern region	8,236	42,187	7,499	41,374
Central region	185,076	229,761	150,871	195,906
Eastern region	27,224	21,063	22,382	20,637
	<b>234,520</b>	<b>318,112</b>	<b>190,699</b>	<b>276,975</b>

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Northern region	64,589	64,352	48,567	46,418
Southern region	55,284	54,988	37,337	36,852
Central region	239,328	228,873	154,081	152,351
Eastern region	28,859	34,103	23,258	27,405
	<b>388,060</b>	<b>382,316</b>	<b>263,243</b>	<b>263,026</b>

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2014	31 Dec 2013 (Restated)	31 Dec 2014	31 Dec 2013 (Restated)
Agricultural, hunting, forestry and fishing	3,598	358	3,598	12
Manufacturing	37,008	24,913	17,078	17,915
Electricity, gas and water	1,784	-	1,784	-
Construction	4,434	39,586	3,164	38,779
Real estate	2,591	813	2,591	813
Wholesale & retail trade and restaurants & hotels	17,370	30,317	16,635	29,902
Transport, storage and communication	4,743	105	301	3
Finance, insurance/takaful and business services	51	216	51	129
Household-retail	50,830	67,540	43,564	48,710
Others	22	375	22	375
	<b>122,431</b>	<b>164,223</b>	<b>88,788</b>	<b>136,638</b>

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Agricultural, hunting, forestry and fishing	56	1,059	56	1,059
Manufacturing	30,120	11,221	26,672	10,086
Real estate	5	13,449	5	13,449
Wholesale & retail trade and restaurants & hotels	12,749	17,818	12,118	15,196
Transport, storage and communication	30	-	-	-
Finance, insurance/takaful and business services	65	26	52	26
Household-retail	17,038	13,205	13,012	12,257
Others	439	-	439	-
	<b>60,502</b>	<b>56,778</b>	<b>52,354</b>	<b>52,073</b>

The reconciliation of changes in loan impairment provisions is disclosed in Note 11(ii) of financial statements at 31 December 2014.

**(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 External Credit Assessment Institutions ('ECAIs') to determine the risk weightings applied to rated counterparties.

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

- Sovereigns and Central Banks
- Multilateral development banks ('MDBs')
- Public sector entities
- Corporates
- Banks
- Securities firms

For the purpose of Pillar 1 reporting to the regulator, 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's framework.

**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
	R & I*	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*	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			
			(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

\* External credit assessments produced by R&I on Islamic debt securities are not recognised by the Group in determining the risk weights for exposures to some asset classes.

**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 7. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

**31 Dec 2014**

**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>								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	15,768,451	-	-	-	-	-	15,768,451
Public Sector Entities								
- Exposures risk-weighted using ratings of Corporates	72,205	128,297	37,014	-	-	-	-	237,516
Banks, MDBs and FDIs								
- Exposures risk-weighted using ratings of Banking Institution	678,161	1,588,197	143,276	6,040	28,063	-	-	2,443,737
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	13,143	-	-	-	-	-	13,143
- Exposures risk-weighted using ratings of Banking Institution	100	721	1,609	-	-	-	-	2,430
- Exposures risk-weighted using ratings of Corporates	1,123,294	841,193	249,532	7,527	-	-	-	2,221,546
	1,873,760	18,340,002	431,431	13,567	28,063	-	-	20,686,823
(ii) Total unrated exposures							58,396,855	58,396,855
<b>Total Long Term Exposure</b>	<b>1,873,760</b>	<b>18,340,002</b>	<b>431,431</b>	<b>13,567</b>	<b>28,063</b>	<b>-</b>	<b>58,396,855</b>	<b>79,083,678</b>



**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 2014**

**Group (RM '000)**

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<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	-	11,620,880	-	-		11,620,880
Public Sector Entities						
- Exposures risk-weighted using ratings of Corporates	1,013	30,000	-	-		31,013
Banks, MDBs and FDIs						
- Exposures risk-weighted using ratings of Banking Institution	4,168,773	1,934,860	350,256	3,098		6,456,987
Corporates						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	-	-	-		-
- Exposures risk-weighted using ratings of Banking Institution	-	-	-	-		-
- Exposures risk-weighted using ratings of Corporates	207,471	48,971	89,182	-		345,624
	4,377,257	13,634,711	439,438	3,098	-	18,454,504
(ii) Total unrated exposures					-	-
<b>Total Short Term Exposure</b>	<b>4,377,257</b>	<b>13,634,711</b>	<b>439,438</b>	<b>3,098</b>	<b>-</b>	<b>18,454,504</b>
<b>Group Total Long Term and Short Term Exposure :</b>						<b>97,538,182</b>

**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 2013

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>								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	7,778,218	-	-	-	-	-	7,778,218
Public Sector Entities								
- Exposures risk-weighted using ratings of Corporates	2,031	-	-	-	-	-	-	2,031
Banks, MDBs and FDIs								
- Exposures risk-weighted using ratings of Banking Institution	1,362,040	1,763,331	175,857	77,090	3,704	-	-	3,382,022
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	14,813	-	-	-	-	-	14,813
- Exposures risk-weighted using ratings of Banking Institution	100	14,507	-	-	-	-	-	14,607
- Exposures risk-weighted using ratings of Corporates	1,138,828	696,812	246,616	6,165	-	-	-	2,088,421
	2,502,999	10,267,681	422,473	83,255	3,704	-	-	13,280,112
(ii) Total unrated exposures							56,549,672	56,549,672
<b>Total Long Term Exposure</b>	<b>2,502,999</b>	<b>10,267,681</b>	<b>422,473</b>	<b>83,255</b>	<b>3,704</b>	<b>-</b>	<b>56,549,672</b>	<b>69,829,784</b>

**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 2013

Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<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	-	17,735,265	-	-		17,735,265
Public Sector Entities						
- Exposures risk-weighted using ratings of Corporates	603	-	-	-		603
Banks, MDBs and FDIs						
- Exposures risk-weighted using ratings of Banking Institution	3,336,429	1,936,336	437,115	780		5,710,660
Corporates						
- Exposures risk-weighted using ratings of Corporates	185,687	119,670	65	-		305,422
	3,522,719	19,791,271	437,180	780	-	23,751,950
(ii) Total unrated exposures					-	-
Total Short Term Exposure	3,522,719	19,791,271	437,180	780	-	23,751,950

Group Total Long Term and Short Term Exposure :	<b>93,581,734</b>
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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 2014**

**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	-	11,849,515	-	-	-	-	-	11,849,515
<b>Public Sector Entities</b>								
- Exposures risk-weighted using ratings of Corporates	72,205	88,465	8,343	-	-	-	-	169,013
<b>Banks, MDBs and FDIs</b>								
- Exposures risk-weighted using ratings of Banking Institution	3,665,401	1,486,962	143,043	6,040	28,063	-	-	5,329,509
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	9,357	-	-	-	-	-	9,357
- Exposures risk-weighted using ratings of Banking Institution	100	721	1,609	-	-	-	-	2,430
- Exposures risk-weighted using ratings of Corporates	661,706	756,768	142,204	7,527	-	-	-	1,568,205
	4,399,412	14,191,788	295,199	13,567	28,063	-	-	18,928,029
<b>(ii) Total unrated exposures</b>							45,803,345	45,803,345
<b>Total Long Term Exposure</b>	<b>4,399,412</b>	<b>14,191,788</b>	<b>295,199</b>	<b>13,567</b>	<b>28,063</b>	<b>-</b>	<b>45,803,345</b>	<b>64,731,374</b>

**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 2014**

**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	-	10,637,131	-	-		10,637,131
<b>Public Sector Entities</b>						
- Exposures risk-weighted using ratings of Corporates	1,013	-	-	-		1,013
<b>Banks, MDBs and FDIs</b>						
- Exposures risk-weighted using ratings of Banking Institution	4,093,760	1,785,799	165,578	2,945		6,048,082
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	21,880	48,971	89,182	-		160,033
	4,116,653	12,471,901	254,760	2,945	-	16,846,259
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>4,116,653</b>	<b>12,471,901</b>	<b>254,760</b>	<b>2,945</b>	<b>-</b>	<b>16,846,259</b>

<b>Bank Total Long Term and Short Term Exposure :</b>	<b>81,577,633</b>
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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 2013

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	-	6,448,357	-	-	-	-	-	6,448,357
<b>Banks, MDBs and FDIs</b>								
- Exposures risk-weighted using ratings of Banking Institution	2,385,913	1,699,535	175,856	77,090	3,048	-	-	4,341,442
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	12,133	-	-	-	-	-	12,133
- Exposures risk-weighted using ratings of Banking Institution	100	14,507	-	-	-	-	-	14,607
- Exposures risk-weighted using ratings of Corporates	1,079,690	610,432	178,315	6,165	-	-	-	1,874,602
	3,465,703	8,784,964	354,171	83,255	3,048	-	-	12,691,141
<b>(ii) Total unrated exposures</b>							46,301,153	46,301,153
<b>Total Long Term Exposure</b>	3,465,703	8,784,964	354,171	83,255	3,048	-	46,301,153	58,992,294

**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 2013

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	-	14,389,941	-	-	-	14,389,941
<b>Public Sector Entities</b>						
- Exposures risk-weighted using ratings of Corporates	8	-	-	-	-	8
<b>Banks, MDBs and FDIs</b>						
- Exposures risk-weighted using ratings of Banking Institution	3,273,155	1,897,287	271,062	780	-	5,442,284
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	172,496	119,670	65	-	-	292,231
	3,445,659	16,406,898	271,127	780	-	20,124,464
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>3,445,659</b>	<b>16,406,898</b>	<b>271,127</b>	<b>780</b>	<b>-</b>	<b>20,124,464</b>

<b>Bank Total Long Term and Short Term Exposure :</b>	<b>79,116,758</b>
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Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

**(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 credit risk mitigation, 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;
- 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 or securities is made in the expectation of a corresponding receipt of cash or securities. Daily settlement limits are established for counterparties to cover the aggregate of all settlement risk arising from Treasury transactions on a single day. Settlement risk on many transactions, particularly those involving securities, 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 two years, or more frequently as the need may arise. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For credit exposures with a credit risk rating (CRR) of 6.1 or worse, a full valuation is to be obtained annually. 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 valuation companies is subject to an annual review. This takes into consideration the company's financial standing, accreditations, experience, professional liability insurance, major clients and size of its branch network.



**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 credit risk mitigation.

**31 Dec 2014**

**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 Collateral</b>
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	27,411,534	-	-
Public Sector Entities	642,604	-	-
Banks, Development Financial Institutions & MDBs	5,816,337	-	-
Corporates	17,282,158	239,365	772,753
Regulatory Retail	6,625,915	366,754	171,042
Residential Mortgages	18,946,764	-	23,720
Higher Risk Assets	11,743	-	-
Other Assets	842,036	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	556,324	2,656	9,822
<b>Total for On-Balance Sheet Exposures</b>	<b>78,152,323</b>	<b>608,775</b>	<b>977,337</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	4,545,966	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,758,694	165,081	282,454
Defaulted Exposures	81,199	828	11,351
<b>Total for Off-Balance Sheet Exposures</b>	<b>19,385,859</b>	<b>165,909</b>	<b>293,805</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>97,538,182</b>	<b>774,684</b>	<b>1,271,142</b>

**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 credit risk mitigation.

31 Dec 2013

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	25,541,207	-	-
Public Sector Entities	88,283	-	-
Banks, Development Financial Institutions & MDBs	7,461,858	-	-
Corporates	17,243,190	173,231	705,312
Regulatory Retail	6,763,053	43,085	170,105
Residential Mortgages	17,492,155	-	24,875
Higher Risk Assets	48	-	-
Other Assets	1,141,014	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	565,927	4,004	11,851
<b>Total for On-Balance Sheet Exposures</b>	<b>76,313,643</b>	<b>220,320</b>	<b>912,143</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	4,157,766	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,917,612	180,639	293,044
Defaulted Exposures	192,713	1,495	18,323
<b>Total for Off-Balance Sheet Exposures</b>	<b>17,268,091</b>	<b>182,134</b>	<b>311,367</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>93,581,734</b>	<b>402,454</b>	<b>1,223,510</b>

Refer to Note 38 of the financial statements at 31 December 2014 for disclosure of off-balance sheet and Note 37 for disclosure of counterparty credit risk.

**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 credit risk mitigation.

**31 Dec 2014**

**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 Collateral</b>
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	22,504,296	-	-
Public Sector Entities	266,097	-	-
Banks, Development Financial Institutions & MDBs	8,061,886	-	-
Corporates	13,122,518	152,145	710,110
Regulatory Retail	4,558,059	361,312	141,387
Residential Mortgages	15,105,258	-	20,951
Higher Risk Assets	11,743	-	-
Other Assets	634,368	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	451,245	757	8,864
<b>Total for On-Balance Sheet Exposures</b>	<b>64,732,378</b>	<b>514,214</b>	<b>881,312</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	4,761,093	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,009,235	138,368	224,598
Defaulted Exposures	74,927	828	11,256
<b>Total for Off-Balance Sheet Exposures</b>	<b>16,845,255</b>	<b>139,196</b>	<b>235,854</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>81,577,633</b>	<b>653,410</b>	<b>1,117,166</b>

**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 credit risk mitigation.

31 Dec 2013

Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	20,828,670	-	-
Public Sector Entities	21,131	-	-
Banks, Development Financial Institutions & MDBs	8,154,604	-	-
Corporates	13,582,723	126,387	643,748
Regulatory Retail	4,662,902	27,229	148,434
Residential Mortgages	14,219,122	-	22,515
Higher Risk Assets	48	-	-
Other Assets	1,627,583	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	453,876	1,223	10,874
<b>Total for On-Balance Sheet Exposures</b>	<b>63,567,567</b>	<b>154,839</b>	<b>825,571</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	4,363,965	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	11,027,198	177,580	231,042
Defaulted Exposures	158,028	1,495	15,613
<b>Total for Off-Balance Sheet Exposures</b>	<b>15,549,191</b>	<b>179,075</b>	<b>246,655</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>79,116,758</b>	<b>333,914</b>	<b>1,072,226</b>

Refer to Note 38 of the financial statements at 31 December 2014 for disclosure of off-balance sheet and Note 37 for disclosure of counterparty credit risk.

**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

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

**5) Equities**

At 31 December 2014, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 31 December 2014 was mainly of shares held for the purpose of gaining strategic advantage as well as capital appreciation on sale thereof. The unquoted shares portfolio consisted primarily of Credit Guarantee Corporation, Cagamas Holdings and Global Maritime Ventures shares. The Group's policy on valuation and accounting of equity holdings is disclosed in Note 3 k (ii) of the financial statements at 31 December 2014.

Quoted equities

Quoted shares are not held for capital gains.

Unquoted equities

These shares are not held for capital gains and are recorded at cost due to the lack of quoted prices in an active market or /and the fair values of the equities cannot be reliably measured. 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 2014 for further information on the Group's holdings of equity investments.

**6) Interest rate risk / rate of return risk**

Qualitative and quantitative information on interest rate risk / rate of return risk in the banking book is presented in Note 4 d) of the financial statements at 31 December 2014. 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)		Bank (RM'000)	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
+200 basis points parallel shift in yield	471,376	676,245	526,983	672,433
-200 basis points parallel shift in yield	(413,585)	(641,197)	(488,443)	(649,881)

**7) Restatement of comparative figures**

Comparative figures for Table 10 were restated due to reclassification of new provision made and provision release for individual impairment provision on mortgages.

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

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### **(g) Risk management policies (Cont'd)**

#### **8) 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 Board of Directors, 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 Bank Negara Malaysia ('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 Board of Directors.

##### **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.

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

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**(g) Risk management policies (Cont'd)**

**8) 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**

**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.

**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 year ended 31 December 2014, five (5) actual Shariah non-compliance events have been identified. All five (5) events have been rectified in accordance with the Shariah governance framework.

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

During the financial year ended 31 December 2014, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

(i) The amount of MYR14,564 in the Account was carried forward from 2013 pending distribution in 2014.

(ii) Income from inadvertent Shariah non-compliant activities identified by HBMS's management amounting to MYR162,824 in 2014 has been reversed to the Account.

(iii) The amount of MYR177,388 in the Account was carried forward from 2014 pending distribution in 2015.

Other than the above, there were no other Shariah non-compliance income or other amounts which occurred during the year ended 31 December 2014.