

HSBC BANK MALAYSIA BERHAD
(Company No.198401015221 (127776-V))
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
As at 31 December 2019

CHIEF EXECUTIVE OFFICER'S ATTESTATION

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

.....
STUART PATERSON MILNE

CHIEF EXECUTIVE OFFICER
05 February 2020

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(a) Introduction

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

(b) Basel II

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

Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specific information on the capital management processes, and risk assessment processes, and hence the capital adequacy of the Group. Disclosures consist of both quantitative and qualitative information and are provided at the Group and the Bank level. Banks are required to disclose all their material risks as part of the Pillar 3 framework. All material and non-proprietary information required by Pillar 3 is included in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2019. BNM permits certain Pillar 3 requirements to be satisfied by inclusion within the financial statements. Where this is the case, references are provided to relevant sections in the Financial Statements as at 31 December 2019.

(c) Consolidation basis

The basis of consolidation for financial accounting purposes is described in Note 4(a) of the financial statements as at 31 December 2019 and it is the same basis of consolidation that is used for regulatory purposes. The Bank's subsidiary companies are listed in Note 17 of the financial statements, and are fully consolidated for both financial accounting and regulatory purposes.

(d) Transferability of capital and funds within the Group

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

(e) Internal assessment of capital adequacy

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

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

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

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

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

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

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

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

Refer to Note 41 of the financial statements as at 31 December 2019 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

The Group operates a wide-ranging stress testing programme that supports risk management and capital planning. Stress testing provides management with key insights into the impact of severely adverse events, and provides confidence to regulators on financial stability.

As well as undertaking regulatory-driven stress tests, we conduct our own internal stress tests, in order to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible business as usual mitigating actions.

The stress testing programme assesses capital and liquidity strength through a rigorous examination of resilience to external shocks from a range of stress scenarios. They include potential adverse macroeconomic, geopolitical and operational risk events, and other potential events that are specific to the Group. Stress testing analysis helps management understand the nature and extent of vulnerabilities to which the Group is exposed and informs decisions about preferred capital or liquidity levels.

Separately, reverse stress tests are conducted at the Group in order to understand which potential extreme conditions would make the business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities which the Group might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

Governance

The Stress Test Working Group (STWG) will actively manage and drive cohesion and consistency across all stress testing activities, including the execution of enterprise wide stress tests and enhancements to stress testing and data capability. Stress test results and the proposed mitigating actions will be recommended by Risk Management Meeting (RMM) and RC of the Board for approval.

Risk Appetite

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

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

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

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

(f) Capital structure

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

- Tier 1 capital ^[1] is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 Capital. CET1 Capital includes ordinary share capital ^[2], retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Group has also issued a perpetual capital term loan as at 31 December 2019 which qualifies as Additional Tier 1 Capital.
- Tier 2 capital ^[1], which includes qualifying subordinated liabilities ^[3] and subordinated term financing, impairment allowances equal to 12-months and lifetime expected credit losses for non-credit impaired loans (commonly known as Stage 1 and 2 provisions), regulatory reserve, and the element of the fair value reserve relating to revaluation of property which are disclosed as regulatory adjustments.

(g) Risk management policies

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

- credit risk
- liquidity and funding risk
- market risks (includes foreign exchange, interest/profit rate and basis risk)
- resilience risk
- regulatory compliance risk
- financial crime and fraud risk
- model risk

Refer to Note 5 of the financial statements as at 31 December 2019 for the Group's risk managements policies on the above mentioned risks.

^[1] Refer to Note 41 of the financial statements as at 31 December 2019 for the amount and breakdown of capital components.

^[2] Refer to Note 28 of the financial statements as at 31 December 2019 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

^[3] Refer to Note 27 of the financial statements as at 31 December 2019 for terms and conditions of the subordinated liabilities.

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement

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

As at 31 December 2019, the RWA risk absorbent for Syndicated Investment Account for Financing (SIAF)/ Investment Agency Account (IAA) in the Bank amounted to RM2,991m (31 December 2018: RM2,129.6m). Both the principal amount and RWA are the same. This amount is reported as asset under management in the books of the Bank's Islamic Subsidiary. At the group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

31 Dec 2019
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	21,580,507	21,580,507	282,830	22,627
PSEs	1,800,342	1,798,177	997,464	79,797
Banks, DFIs & MDBs	8,119,491	5,001,082	1,122,753	89,819
Corporates	24,445,932	23,829,105	22,113,382	1,769,071
Regulatory Retail	6,026,376	5,948,149	4,571,513	365,721
Residential Mortgages	18,229,423	18,229,423	6,673,826	533,906
Higher Risk Assets	23,896	23,746	35,619	2,849
Other Assets	1,513,429	1,513,429	1,031,243	82,501
Equity Exposure	196,402	196,402	196,402	15,712
Defaulted Exposures	842,300	839,609	932,114	74,569
Total for On-Balance Sheet Exposures	82,778,098	78,959,629	37,957,146	3,036,572
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,014,441	2,398,615	1,256,391	100,511
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,427,373	15,975,426	11,730,335	938,426
Defaulted Exposures	7,242	7,242	10,052	804
Total for Off-Balance Sheet Exposures	20,449,056	18,381,283	12,996,778	1,039,741
Total On and Off-Balance Sheet Exposures [1]	103,227,154	97,340,912	50,953,924	4,076,313
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	50,785,248	54,266,545	(3,481,296)	1,306,654
Foreign Currency Risk	52,219	135,937	141,248	11,300
Options Risk	-	-	-	48,312
	50,837,467	54,402,482	(3,340,048)	1,496,214
Operational Risk (Standardised Approach)	-	-	-	5,797,822
Total RWA and Capital Requirement	-	-	-	58,247,960
				4,659,835

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

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2018
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	21,214,721	21,214,721	453,949	36,316
PSEs	1,881,975	1,881,975	1,080,359	86,429
Banks, DFIs & MDBs	5,291,472	4,191,619	1,071,979	85,758
Corporates	24,490,126	23,718,821	21,843,102	1,747,448
Regulatory Retail	5,787,327	5,697,638	4,393,986	351,519
Residential Mortgages	19,057,166	19,057,166	6,988,437	559,075
Higher Risk Assets	26,000	25,850	38,775	3,102
Other Assets	926,367	926,367	632,459	50,597
Equity Exposure	186,737	186,737	186,737	14,939
Defaulted Exposures	808,012	803,927	972,403	77,792
Total for On-Balance Sheet Exposures	79,669,903	77,704,821	37,662,186	3,012,975
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,879,155	2,291,035	1,176,397	94,112
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,844,448	16,361,355	12,096,173	967,694
Defaulted Exposures	7,771	7,771	10,741	859
Total for Off-Balance Sheet Exposures	20,731,374	18,660,161	13,283,311	1,062,665
Total On and Off-Balance Sheet Exposures ⁽¹⁾	100,401,277	96,364,982	50,945,497	4,075,640
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	41,780,976	43,235,143	(1,454,167)	1,485,860
Foreign Currency Risk	17,170	190,062	190,062	15,205
Options Risk	-	-	-	36,394
	41,798,146	43,425,205	(1,264,105)	1,712,316
Operational Risk (Standardised Approach)	-	-	-	5,655,153
Total RWA and Capital Requirement	-	-	-	58,312,966

Note:

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

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

Refer to Note 41 of the financial statements as at 31 December 2019 for disclosure on RWA breakdown by various categories of risk weights.

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 2019
(RM'000)

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	13,799,823	13,799,823	81,794	6,544
PSEs	1,461,789	1,459,624	859,089	68,727
Banks, DFIs & MDBs	8,342,863	5,425,099	1,205,522	96,442
Corporates	18,788,100	18,258,198	16,994,722	1,359,578
Regulatory Retail	3,497,191	3,432,368	2,562,048	204,964
Residential Mortgages	14,095,231	14,095,231	5,154,873	412,390
Higher Risk Assets	19,554	19,554	29,331	2,346
Other Assets	1,322,604	1,322,604	984,033	78,723
Equity Exposure	196,402	196,402	196,402	15,712
Defaulted Exposures	538,824	537,445	598,285	47,863
Total for On-Balance Sheet Exposures	62,062,381	58,546,348	28,666,099	2,293,289
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,035,586	2,419,760	1,204,636	96,371
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,244,492	12,873,751	9,676,428	774,114
Defaulted Exposures	5,416	5,416	7,353	588
Total for Off-Balance Sheet Exposures	17,285,494	15,298,927	10,888,417	871,073
Total On and Off-Balance Sheet Exposures ^[1]	79,347,875	73,845,275	39,554,516	3,164,362
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	48,929,845	51,151,478	(2,221,632)	1,230,678
Foreign Currency Risk	46,396	135,425	135,425	10,834
Options Risk	-	-	-	48,312
	48,976,241	51,286,903	(2,086,207)	1,414,415
Operational Risk (Standardised Approach)	-	-	-	5,119,212
Total RWA and Capital Requirement	-	-	-	46,088,143

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

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

(g) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2018
(RM'000)

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	15,463,265	15,463,265	453,949	36,316
PSEs	1,300,244	1,300,244	699,032	55,923
Banks, DFIs & MDBs	6,080,617	5,183,608	1,207,770	96,622
Corporates	18,155,497	17,549,344	16,257,409	1,300,593
Regulatory Retail	3,414,281	3,336,654	2,509,900	200,792
Residential Mortgages	14,766,209	14,766,209	5,413,520	433,082
Higher Risk Assets	19,799	19,799	29,698	2,376
Other Assets	802,703	802,703	608,130	48,650
Equity Exposure	186,737	186,737	186,737	14,939
Defaulted Exposures	531,330	527,828	623,660	49,893
Total for On-Balance Sheet Exposures	60,720,682	59,136,391	27,989,805	2,239,186
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,917,263	2,312,930	1,038,132	83,051
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,729,085	13,322,196	10,074,607	805,969
Defaulted Exposures	5,742	5,742	7,849	628
Total for Off-Balance Sheet Exposures	17,652,090	15,640,868	11,120,588	889,648
Total On and Off-Balance Sheet Exposures ⁽¹⁾	78,372,772	74,777,259	39,110,393	3,128,834
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	41,642,434	42,230,107	(587,673)	1,405,390
Foreign Currency Risk	15,073	178,681	178,681	14,294
Options Risk	-	-	-	36,394
	41,657,507	42,408,788	(408,992)	1,620,465
Operational Risk (Standardised Approach)	-	-	-	5,027,602
Total RWA and Capital Requirement	-	-	-	45,758,460

Note:

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

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

Refer to Note 41 of the financial statements as at 31 December 2019 for disclosure on RWA breakdown by various categories of risk weights.

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

(g) Risk management policies (Cont'd)

2) Risk Weight Profile and RWA

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

31 Dec 2019 (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, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	20,166,680	-	-	51,811	41,709	-	-	482,186	-	20,742,386	-
20%	1,598,463	1,175,892	5,859,267	3,151,823	21,087	-	-	-	-	11,806,532	2,361,306
35%	-	-	-	-	-	19,729,580	-	-	-	19,729,580	6,905,353
50%	-	179,286	1,213,758	575,716	31,340	738,222	-	-	-	2,738,322	1,369,162
75%	-	-	-	-	8,188,894	397,268	-	-	-	8,586,162	6,439,621
100%	-	1,160,636	148,558	29,669,411	715,859	534,718	-	1,031,243	196,402	33,456,827	33,456,827
150%	-	-	-	59,450	83,021	110,081	28,551	-	-	281,103	421,655
Total										97,340,912	50,953,924
Average Risk Weight	1%	59%	27%	92%	77%	38%	150%	68%	100%	52%	

31 Dec 2018 (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, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	18,945,393	-	-	23,149	19,753	-	-	290,071	-	19,278,366	-
20%	2,364,130	1,232,020	4,663,973	2,953,052	7,727	-	-	1,277	-	11,222,179	2,244,436
35%	-	-	-	-	-	20,650,367	-	-	-	20,650,367	7,227,628
50%	-	314,636	1,542,227	1,165,805	15,707	627,210	-	5,631	-	3,671,216	1,835,608
75%	-	-	-	-	7,883,120	574,483	-	-	-	8,457,603	6,343,202
100%	-	1,230,094	167,832	29,389,777	538,079	524,602	-	629,388	186,737	32,666,509	32,666,509
150%	-	-	-	86,423	163,700	134,870	33,749	-	-	418,742	628,114
Total										96,364,982	50,945,497
Average Risk Weight	2%	59%	29%	91%	78%	39%	150%	68%	100%	53%	

Note:

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

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

(g) Risk management policies (Cont'd)

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

31 Dec 2019
(RM000)

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, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	13,391,176	-	-	23,026	16,981	-	-	338,571	-	13,769,754	-
20%	593,284	775,669	6,343,946	2,273,942	18,448	-	-	-	-	10,005,289	2,001,058
35%	-	-	-	-	-	15,435,952	-	-	-	15,435,952	5,402,583
50%	-	179,286	1,053,757	455,860	11,587	566,103	-	-	-	2,266,593	1,133,297
75%	-	-	-	-	5,443,938	322,741	-	-	-	5,766,679	4,325,009
100%	-	1,051,433	115,871	23,593,831	95,704	380,612	-	984,033	196,402	26,417,886	26,417,886
150%	-	-	-	32,476	51,732	76,309	22,605	-	-	183,122	274,683
Total										73,845,275	39,554,516
Average Risk Weight	1%	65%	25%	92%	76%	38%	150%	74%	100%	54%	

31 Dec 2018
(RM000)

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, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	13,193,937	-	-	12,668	7,002	-	-	190,736	-	13,404,343	-
20%	2,364,130	781,515	6,118,680	2,171,427	4,426	-	-	1,277	-	11,441,455	2,288,291
35%	-	-	-	-	-	16,195,686	-	-	-	16,195,686	5,668,490
50%	-	314,636	1,058,609	680,028	9,034	464,202	-	5,631	-	2,532,140	1,266,070
75%	-	-	-	-	5,269,938	485,514	-	-	-	5,755,452	4,316,589
100%	-	839,696	128,721	23,004,254	52,291	385,886	-	605,059	186,737	25,202,644	25,202,644
150%	-	-	-	54,053	77,670	88,572	25,244	-	-	245,539	368,309
Total										74,777,259	39,110,393
Average Risk Weight	3%	60%	26%	92%	76%	38%	150%	76%	100%	52%	

Note:

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk

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

Group (RM'000)	31 Dec 2019				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	141,662	97,532	490,533	81,903	811,630
Term loans/financing					
Housing loans/financing	3,185,668	2,590,143	11,108,290	906,350	17,790,451
Syndicated term loan/financing	36,968	80,600	3,314,546	-	3,432,114
Factoring receivables	15,132	33,467	396,878	167,720	613,197
Hire purchase receivables	45,342	64,349	75,526	8,832	194,049
Other term loans/financing	1,187,112	1,272,984	7,159,291	470,011	10,089,398
Bills receivables	159,519	185,350	1,685,786	35,389	2,066,044
Trust receipts	385,633	447,594	1,624,893	53,499	2,511,619
Claims on customers under acceptance credits	459,172	314,439	614,525	16,662	1,404,798
Staff loans/financing	10,484	5,229	56,109	3,357	75,179
Credit/charge cards	694,576	591,468	2,397,741	325,722	4,009,507
Revolving financing	243,385	362,559	8,079,631	126,394	8,811,969
Other loans/financing	4,301	1,267	7,767	2,359	15,694
	6,568,954	6,046,981	37,011,516	2,198,198	51,825,649

Group (RM'000)	31 Dec 2018 (Restated)				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	113,465	99,466	647,949	91,805	952,685
Term loans/financing					
Housing loans/financing	3,291,431	2,791,928	11,514,894	972,461	18,570,714
Syndicated term loan/financing	32,696	-	3,642,198	-	3,674,894
Factoring receivables	14,435	30,500	348,276	116,242	509,453
Hire purchase receivables	37,599	53,722	92,872	11,443	195,636
Lease receivables	-	-	539	-	539
Other term loans/financing	1,234,451	1,297,165	7,069,229	553,957	10,154,802
Bills receivables	189,154	253,902	2,969,972	36,621	3,449,649
Trust receipts	301,622	528,790	1,229,174	80,687	2,140,273
Claims on customers under acceptance credits	528,987	388,185	613,587	48,376	1,579,135
Staff loans/financing	12,214	5,868	68,633	3,824	90,539
Credit/charge cards	649,483	527,382	2,175,289	311,102	3,663,256
Revolving financing	310,618	356,449	8,002,222	137,348	8,806,637
Other loans/financing	3,684	914	5,949	1,612	12,159
	6,719,839	6,334,271	38,380,783	2,365,478	53,800,371

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

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

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

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

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2019				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	132,159	70,267	454,302	81,771	738,499
Term loans/financing					
Housing loans/financing	2,635,281	2,070,532	8,155,930	764,336	13,626,079
Syndicated term loan/financing	36,968	80,600	2,586,248	-	2,703,816
Factoring receivables	15,132	33,467	396,878	167,720	613,197
Other term loans/financing	703,030	704,493	4,538,010	304,791	6,250,324
Bills receivables	94,258	133,825	1,331,652	35,389	1,595,124
Trust receipts	332,171	423,644	1,177,557	52,421	1,985,793
Claims on customers under acceptance credits	350,801	223,467	491,700	15,558	1,081,526
Staff loans/financing	9,858	5,184	54,555	3,338	72,935
Credit/charge cards	476,114	372,787	1,636,897	265,145	2,750,943
Revolving financing	222,761	356,895	6,389,754	126,394	7,095,804
Other loans/financing	3,138	916	5,007	2,330	11,391
	5,011,671	4,476,077	27,218,490	1,819,193	38,525,431

	31 Dec 2018 (Restated)				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	103,985	76,510	605,440	91,416	877,351
Term loans/financing					
Housing loans/financing	2,715,264	2,237,078	8,475,942	813,210	14,241,494
Syndicated term loan/financing	32,696	-	2,307,542	-	2,340,238
Factoring receivables	14,435	30,500	348,276	116,242	509,453
Other term loans/financing	796,981	784,606	3,877,567	378,228	5,837,382
Bills receivables	86,083	247,417	2,622,950	36,621	2,993,071
Trust receipts	280,491	503,187	752,283	80,687	1,616,648
Claims on customers under acceptance credits	413,260	294,108	402,515	46,959	1,156,842
Staff loans/financing	11,460	5,764	66,385	3,786	87,395
Credit/charge cards	454,655	344,264	1,528,870	259,833	2,587,622
Revolving financing	310,618	346,045	6,378,261	137,348	7,172,272
Other loans/financing	2,602	623	3,923	1,585	8,733
	5,222,530	4,870,102	27,369,954	1,965,915	39,428,501

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 2019				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	5,477	15,267	8,271	10,282	39,297
Term loans/financing					
Housing loans/financing	71,632	58,155	234,979	14,417	379,183
Hire purchase receivables	227	717	173	-	1,117
Other term loans/financing	28,735	16,908	365,232	17,966	428,841
Bills receivables	2,260	5,384	24,153	-	31,797
Trust receipts	-	-	4,143	-	4,143
Claims on customers under acceptance credits	4,320	11,629	35,713	-	51,662
Staff loans/financing	-	-	626	-	626
Credit/charge cards	4,153	3,902	6,781	1,573	16,409
Revolving financing	-	-	24,852	11,136	35,988
Other loans/financing	3,952	990	7,144	2,298	14,384
	120,756	112,952	712,067	57,672	1,003,447

Group (RM'000)	31 Dec 2018 (Restated)				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	5,304	5,222	7,776	10,965	29,267
Term loans/financing					
Housing loans/financing	74,974	83,953	273,001	13,685	445,613
Hire purchase receivables	1,435	2,107	12	2,814	6,368
Other term loans/financing	33,502	12,787	292,484	15,681	354,454
Bills receivables	2,260	4,751	27,696	-	34,707
Trust receipts	-	724	4,611	-	5,335
Claims on customers under acceptance credits	4,438	638	24,052	-	29,128
Staff loans/financing	56	-	760	5	821
Credit/charge cards	4,428	4,522	8,639	1,594	19,183
Revolving financing	-	-	25,884	11,257	37,141
Other loans/financing	3,543	775	5,382	1,570	11,270
	129,940	115,479	670,297	57,571	973,287

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2019				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	3,816	10,553	4,406	10,282	29,057
Term loans/financing					
Housing loans/financing	56,048	41,031	162,321	13,792	273,192
Other term loans/financing	17,846	8,069	159,815	12,162	197,892
Bills receivables	-	-	6,295	-	6,295
Trust receipts	-	-	4,143	-	4,143
Claims on customers under acceptance credits	4,320	10,964	35,713	-	50,997
Staff loans/financing	-	-	626	-	626
Credit/charge cards	2,696	2,112	3,705	1,087	9,600
Revolving financing	-	-	24,852	11,136	35,988
Other loans/financing	2,852	662	4,554	2,286	10,354
	87,578	73,391	406,430	50,745	618,144

	31 Dec 2018 (Restated)				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	3,577	301	4,268	10,965	19,111
Term loans/financing					
Housing loans/financing	56,082	64,249	187,587	12,707	320,625
Other term loans/financing	22,919	7,731	131,970	13,854	176,474
Bills receivables	-	-	9,734	-	9,734
Trust receipts	-	-	4,611	-	4,611
Claims on customers under acceptance credits	4,438	638	24,052	-	29,128
Staff loans/financing	56	-	760	5	821
Credit/charge cards	2,630	2,586	4,848	1,189	11,253
Revolving financing	-	-	25,884	11,257	37,141
Other loans/financing	2,490	521	3,522	1,544	8,077
	92,192	76,026	397,236	51,521	616,975

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 loans/financing and advances breakdown by type

		31 Dec 2019			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts/Cash line-i	811,630	-	-	-	811,630
Term loans/financing					
Housing loans/financing	71,593	61,523	165,705	17,491,630	17,790,451
Syndicated term loan/financing	240,081	2,391,258	695,100	105,675	3,432,114
Factoring receivables	613,197	-	-	-	613,197
Hire purchase receivables	5,971	78,625	109,453	-	194,049
Other term loans/financing	775,525	2,651,079	2,654,441	4,008,353	10,089,398
Bills receivables	2,066,044	-	-	-	2,066,044
Trust receipts	2,511,619	-	-	-	2,511,619
Claims on customers under acceptance credits	1,404,798	-	-	-	1,404,798
Staff loans/financing	747	8,459	14,098	51,875	75,179
Credit/charge cards	4,009,507	-	-	-	4,009,507
Revolving financing	8,794,169	17,800	-	-	8,811,969
Other loans/financing	15,694	-	-	-	15,694
	21,320,575	5,208,744	3,638,797	21,657,533	51,825,649

		31 Dec 2018 (Restated)			
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts/Cash line-i	952,685	-	-	-	952,685
Term loans/financing					
Housing loans/financing	79,634	59,231	162,502	18,269,347	18,570,714
Syndicated term loan/financing	2,746,559	397,610	363,511	167,214	3,674,894
Factoring receivables	509,453	-	-	-	509,453
Hire purchase receivables	15,330	63,770	116,536	-	195,636
Lease receivables	539	-	-	-	539
Other term loans/financing	2,271,822	1,997,924	2,341,228	3,543,828	10,154,802
Bills receivables	3,449,649	-	-	-	3,449,649
Trust receipts	2,140,273	-	-	-	2,140,273
Claims on customers under acceptance credits	1,579,135	-	-	-	1,579,135
Staff loans/financing	1,458	7,916	15,859	65,306	90,539
Credit/charge cards	3,663,256	-	-	-	3,663,256
Revolving financing	8,806,637	-	-	-	8,806,637
Other loans/financing	12,159	-	-	-	12,159
	26,228,589	2,526,451	2,999,636	22,045,695	53,800,371

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 loans/financing and advances breakdown by type (Cont'd)

		31 Dec 2019			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	738,499	-	-	-	738,499
Term loans/financing					
Housing loans/financing	61,814	56,515	149,190	13,358,560	13,626,079
Syndicated term loan/financing	169,468	1,926,520	502,153	105,675	2,703,816
Factoring receivables	613,197	-	-	-	613,197
Other term loans/financing	692,211	1,444,278	1,961,107	2,152,728	6,250,324
Bills receivables	1,595,124	-	-	-	1,595,124
Trust receipts	1,985,793	-	-	-	1,985,793
Claims on customers under acceptance credits	1,081,526	-	-	-	1,081,526
Staff loans/financing	734	8,222	13,514	50,465	72,935
Credit/charge cards	2,750,943	-	-	-	2,750,943
Revolving financing	7,078,004	17,800	-	-	7,095,804
Other loans/financing	11,391	-	-	-	11,391
	16,778,704	3,453,335	2,625,964	15,667,428	38,525,431

		31 Dec 2018 (Restated)			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	877,351	-	-	-	877,351
Term loans/financing					
Housing loans/financing	68,738	55,748	149,370	13,967,638	14,241,494
Syndicated term loan/financing	1,820,337	66,384	363,511	90,006	2,340,238
Factoring receivables	509,453	-	-	-	509,453
Other term loans/financing	1,520,304	1,230,716	1,182,246	1,904,116	5,837,382
Bills receivables	2,993,071	-	-	-	2,993,071
Trust receipts	1,616,648	-	-	-	1,616,648
Claims on customers under acceptance credits	1,156,842	-	-	-	1,156,842
Staff loans/financing	1,391	7,473	15,145	63,386	87,395
Credit/charge cards	2,587,622	-	-	-	2,587,622
Revolving financing	7,172,272	-	-	-	7,172,272
Other loans/financing	8,733	-	-	-	8,733
	20,332,762	1,360,321	1,710,272	16,025,146	39,428,501

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 loans/financing and advances by sector, breakdown by type

	31 Dec 2019 Group (RM'000)														
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	20,986	-	-	-	1,935	-	55,100	-	-	18,159	-	27	87,013	-	183,220
Mining and quarrying	5,045	-	-	118	8,051	-	216,389	-	9,655	4,833	-	122	117,430	-	361,643
Manufacturing	256,897	-	711,169	379,374	127,378	-	2,088,269	489,268	1,218,662	913,018	-	3,056	1,503,972	2,074	7,693,137
Electricity, gas and water	2,794	-	-	443	40	-	196,144	66,857	6,914	3,673	-	57	1,506	-	278,428
Construction	65,879	-	63,933	-	3,351	-	1,051,532	161,383	164,783	44,049	-	453	2,192,250	128	3,747,741
Real estate	7,991	-	1,624,332	-	-	-	1,797,645	-	96,991	-	-	2	512,863	12	4,039,836
Wholesale & retail trade and restaurants & hotels	87,296	-	-	143,222	7,982	-	687,281	349,357	790,191	393,031	-	1,536	1,399,413	1,130	3,860,439
Transport, storage and communication	16,056	-	-	-	30,934	-	227,213	20,072	56,619	16,406	-	441	180,187	62	547,990
Finance, insurance/takaful and business services	215,665	-	-	9,284	10,311	-	367,976	92,472	82,813	8,590	-	2,855	2,586,366	653	3,376,985
Household-retail	119,256	17,790,451	-	-	-	-	2,676,928	-	-	-	75,179	4,000,451	-	11,558	24,673,823
Others	13,765	-	1,032,680	80,756	4,067	-	724,921	886,635	84,991	3,039	-	507	230,969	77	3,062,407
	811,630	17,790,451	3,432,114	613,197	194,049	-	10,089,398	2,066,044	2,511,619	1,404,798	75,179	4,009,507	8,811,969	15,694	51,825,649

31 Dec 2018 (Restated)
Group (RM'000)

Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	20,064	-	-	-	3,612	-	64,122	-	-	30,897	-	31	105,595	-	224,321
Mining and quarrying	6,537	-	-	421	8,861	-	199,646	-	3,037	2,916	-	91	132,034	11	353,554
Manufacturing	366,491	-	745,107	285,094	114,453	-	2,051,576	606,475	1,024,213	991,104	-	3,531	1,323,489	1,271	7,512,804
Electricity, gas and water	3,161	-	-	-	116	-	125,873	512	22,192	3,102	-	14	1,707	-	156,677
Construction	53,879	-	19,053	-	4,886	-	1,163,905	162,800	164,625	48,396	-	883	1,736,160	118	3,354,705
Real estate	6,222	-	1,796,739	-	-	-	2,086,477	-	73,629	-	-	34	334,033	15	4,297,149
Wholesale & retail trade and restaurants & hotels	120,743	-	-	205,669	10,786	-	484,162	592,007	566,570	462,619	-	1,375	1,539,370	838	3,984,139
Transport, storage and communication	26,958	-	-	6,727	32,844	-	160,270	44,943	27,874	16,713	-	350	167,736	80	484,495
Finance, insurance/takaful and business services	205,150	-	-	7,650	12,795	539	279,792	156,484	38,299	19,460	-	2,156	2,902,211	378	3,624,914
Household-retail	134,503	18,570,714	-	-	-	-	2,710,180	-	-	-	90,539	3,654,335	-	9,417	25,169,688
Others	8,977	-	1,113,995	3,892	7,283	-	828,799	1,886,428	219,834	3,928	-	456	564,302	31	4,637,925
	952,685	18,570,714	3,674,894	509,453	195,636	539	10,154,802	3,449,649	2,140,273	1,579,135	90,539	3,663,256	8,806,637	12,159	53,800,371

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 loans/financing and advances by sector, breakdown by type (Cont'd)

31 Dec 2019													
Bank (RM'000)													
	Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/financing	Credit/charge cards	Revolving financing	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	19,121	-	-	-	43,323	-	-	17,527	-	27	86,507	-	166,505
Mining and quarrying	3,091	-	-	118	50,597	-	9,655	1,446	-	122	112,424	-	177,453
Manufacturing	233,584	-	678,272	379,374	1,522,416	399,286	1,095,786	747,702	-	3,056	1,428,388	2,040	6,489,904
Electricity, gas and water	2,094	-	-	443	12,799	52,807	6,914	2,497	-	57	1,506	-	79,117
Construction	56,138	-	63,933	-	705,270	105,548	151,242	29,989	-	453	1,583,963	126	2,696,662
Real estate	7,989	-	1,254,614	-	1,534,439	-	96,991	-	-	2	386,020	12	3,280,067
Wholesale & retail trade and restaurants & hotels	74,067	-	-	143,222	530,133	181,145	495,118	266,863	-	1,536	1,343,190	851	3,036,125
Transport, storage and communication	15,765	-	-	-	147,690	19,432	30,860	6,215	-	441	149,961	54	370,418
Finance, insurance/takaful and business services	204,313	-	-	9,284	285,007	77,803	82,813	7,335	-	2,855	1,839,249	17	2,508,676
Household-retail	119,246	13,626,079	-	-	1,320,259	-	-	-	72,935	2,741,887	-	8,231	17,888,637
Others	3,091	-	706,997	80,756	98,391	759,103	16,414	1,952	-	507	164,596	60	1,831,867
	738,499	13,626,079	2,703,816	613,197	6,250,324	1,595,124	1,985,793	1,081,526	72,935	2,750,943	7,095,804	11,391	38,525,431

31 Dec 2018 (Restated)													
Bank (RM'000)													
	Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/financing	Credit/charge cards	Revolving financing	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	17,826	-	-	-	52,081	-	-	29,802	-	31	105,595	-	205,335
Mining and quarrying	4,933	-	-	421	4,914	-	3,037	1,471	-	91	107,013	-	121,880
Manufacturing	352,616	-	381,680	285,094	1,484,030	489,215	970,860	777,073	-	3,531	1,272,344	1,269	6,017,712
Electricity, gas and water	2,046	-	-	-	10,863	462	11,015	2,308	-	14	1,707	-	28,415
Construction	47,080	-	19,053	-	929,187	146,462	132,252	42,499	-	883	1,253,483	118	2,571,017
Real estate	6,222	-	1,304,597	-	1,448,168	-	73,629	-	-	34	328,982	10	3,161,642
Wholesale & retail trade and restaurants & hotels	103,636	-	-	205,669	284,908	320,995	331,179	285,951	-	1,375	1,454,191	666	2,988,570
Transport, storage and communication	18,590	-	-	6,727	38,571	44,943	572	6,669	-	350	153,728	54	270,204
Finance, insurance/takaful and business services	183,322	-	-	7,650	111,859	143,202	32,955	8,224	-	2,156	2,094,862	12	2,584,242
Household-retail	134,474	14,241,494	-	-	1,414,903	-	-	-	87,395	2,578,701	-	6,576	18,463,543
Others	6,606	-	634,908	3,892	57,898	1,847,792	61,149	2,845	-	456	400,367	28	3,015,941
	877,351	14,241,494	2,340,238	509,453	5,837,382	2,993,071	1,616,648	1,156,842	87,395	2,587,622	7,172,272	8,733	39,428,501

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 and advances by sector, breakdown by type

31 Dec 2019 Group (RM'000)											
Overdraft/ Cash line-i	Housing loans/ financing	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Mining and quarrying	-	-	-	-	-	-	-	-	1,611	-	1,611
Manufacturing	25,802	-	227	3,776	9,013	-	-	-	11,136	1,962	79,934
Electricity, gas and water	-	-	-	600	-	-	-	-	-	-	600
Construction	2,663	-	529	4,926	7,623	2,825	-	-	-	128	34,177
Real estate	578	-	-	11,561	-	-	-	-	-	12	12,151
Wholesale & retail trade and restaurants & hotels	3,694	-	-	18,022	3,994	1,238	-	-	-	1,114	36,021
Transport, storage and communication	-	-	361	-	-	-	-	-	17,800	62	18,223
Finance, insurance/takaful and business services	4,169	-	-	13,590	11,167	35	-	-	-	653	29,614
Household-retail	2,391	379,183	-	348,979	-	-	626	16,409	-	10,386	757,974
Others	-	-	-	27,387	-	45	-	-	5,441	67	33,142
	39,297	379,183	1,117	428,841	31,797	4,143	51,662	626	16,409	35,988	1,003,447

31 Dec 2018 (Restated)
Group (RM'000)

Overdraft/ Cash line-i	Housing loans/ financing	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Mining and quarrying	-	-	693	-	-	-	-	-	2,000	11	2,704
Manufacturing	14,536	-	1,335	4,493	8,354	724	-	-	11,257	1,271	41,970
Construction	3,072	-	796	6,531	8,294	2,695	-	58	-	118	41,263
Real estate	587	-	-	12,258	-	-	-	-	-	10	12,855
Wholesale & retail trade and restaurants & hotels	4,677	-	-	9,224	4,198	1,682	-	-	-	836	29,776
Transport, storage and communication	-	-	4,126	-	-	-	-	-	17,800	81	22,007
Finance, insurance/takaful and business services	4,008	-	111	14,328	13,861	188	-	-	-	379	32,875
Household-retail	2,387	445,613	-	278,739	-	-	821	19,125	-	8,533	755,218
Others	-	-	-	28,188	-	46	-	-	6,084	31	34,619
	29,267	445,613	6,368	354,454	34,707	5,335	29,128	821	19,183	11,270	973,287

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 and advances by sector, breakdown by type (Cont'd)

31 Dec 2019 Bank (RM'000)										
Overdraft	Housing loans/ financing	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Mining and quarrying	-	-	-	-	-	-	-	1,611	-	1,611
Manufacturing	22,272	-	998	-	27,353	-	-	11,136	1,928	63,687
Electricity, gas and water	-	-	600	-	-	-	-	-	-	600
Construction	1,624	-	3,625	6,295	2,825	15,483	-	-	126	29,978
Real estate	578	-	11,526	-	-	-	-	-	12	12,116
Wholesale & retail trade and restaurants & hotels	1,569	-	6,416	-	1,238	7,959	-	-	835	18,017
Transport, storage and communication	-	-	-	-	-	-	-	17,800	54	17,854
Finance, insurance/takaful and business services	623	-	218	-	35	-	-	-	17	893
Household-retail	2,391	273,192	172,278	-	-	626	9,600	-	7,322	465,409
Others	-	-	2,231	-	45	202	-	5,441	60	7,979
	29,057	273,192	197,892	6,295	4,143	50,997	626	9,600	35,988	618,144

31 Dec 2018 (Restated) Bank (RM'000)										
Overdraft	Housing loans/ financing	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Mining and quarrying	-	-	-	-	-	-	-	2,000	-	2,000
Manufacturing	11,022	-	1,068	-	-	-	-	11,257	1,269	24,616
Construction	2,081	-	6,531	6,939	2,695	19,699	58	-	118	38,121
Real estate	587	-	12,258	-	-	-	-	-	10	12,855
Wholesale & retail trade and restaurants & hotels	2,347	-	4,783	-	1,682	9,159	-	-	666	18,637
Transport, storage and communication	-	-	-	-	-	-	-	17,800	54	17,854
Finance, insurance/takaful and business services	687	-	532	2,795	188	-	-	-	12	4,214
Household-retail	2,387	320,625	148,937	-	-	821	11,195	-	5,920	489,885
Others	-	-	2,365	-	46	270	-	6,084	28	8,793
	19,111	320,625	176,474	9,734	4,611	29,128	821	11,253	8,077	616,975

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 and advances breakdown by sector ^[1]

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2019	31 Dec 2018 (Restated)	31 Dec 2019	31 Dec 2018 (Restated)
Agricultural, hunting, forestry and fishing	-	234	-	234
Mining and quarrying	-	2,704	-	2,000
Manufacturing	141,393	90,330	124,224	66,025
Electricity, gas and water	632	708	632	708
Construction	24,620	21,422	14,587	17,469
Real estate	33,818	484,644	16,726	238,090
Wholesale & retail trade and restaurants & hotels	63,197	51,207	49,451	32,480
Transport, storage and communication	19,217	22,024	18,870	17,860
Finance, insurance/takaful and business services	54,209	73,286	54,209	10,709
Household-retail	2,597,492	2,831,859	1,801,275	2,005,089
Others	94,660	131,953	69,263	103,708
	3,029,238	3,710,371	2,149,237	2,494,372

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2019	31 Dec 2018 (Restated)	31 Dec 2019	31 Dec 2018 (Restated)
Northern region	485,290	516,190	369,145	392,103
Southern region	463,621	497,931	330,756	361,711
Central region	1,900,390	2,467,747	1,295,578	1,555,668
Eastern region	179,937	228,503	153,758	184,890
	3,029,238	3,710,371	2,149,237	2,494,372

^[1] of which the portion of impaired loans breakdown by sector and geographical location is disclosed in Note 13 (ii) and 13 (iv) of the financial statements as at 31 December 2019 respectively.

Table 8: Impairment allowance breakdown by sector

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2019	31 Dec 2018 (Restated)	31 Dec 2019	31 Dec 2018 (Restated)
Agricultural, hunting, forestry and fishing	316	566	291	538
Mining and quarrying	179	543	88	380
Manufacturing	33,504	9,199	28,678	4,071
Electricity, gas and water	576	94	123	35
Construction	31,512	12,205	25,653	7,864
Real estate	33,962	31,737	4,801	6,410
Wholesale & retail trade and restaurants & hotels	18,047	18,217	11,539	13,570
Transport, storage and communication	17,571	17,711	16,407	12,906
Finance, insurance/takaful and business services	280	147	143	83
Household-retail	391,964	395,478	185,530	206,473
Others	7,878	5,981	5,271	5,015
	535,789	491,878	278,524	257,345

Table 9: Impairment allowance breakdown by geographical location

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2019	31 Dec 2018 (Restated)	31 Dec 2019	31 Dec 2018 (Restated)
Northern region	64,782	77,487	35,352	48,117
Southern region	65,303	63,359	36,255	33,189
Central region	386,695	323,341	194,739	158,707
Eastern region	19,009	27,691	12,178	17,332
	535,789	491,878	278,524	257,345

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 14 (i) of the financial statements as at 31 December 2019.

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 10: Net impairment allowance in profit or loss during the period breakdown by sector

<i>(Release) / Charges</i>	Group (RM'000)		Bank (RM'000)	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Agricultural, hunting, forestry and fishing	(73)	(2,372)	(70)	(2,263)
Mining and quarrying	(382)	451	(307)	295
Manufacturing	24,444	(2,755)	24,714	(1,112)
Electricity, gas and water	481	(101)	88	27
Construction	20,163	(165)	18,660	466
Real estate	3,363	5,402	(724)	709
Wholesale & retail trade and restaurants & hotels	(205)	11,547	(2,139)	10,216
Transport, storage and communication	2,720	(212)	3,522	96
Finance, insurance/takaful and business services	108	(40)	29	56
Household-retail	84,110	67,675	16,740	811
Others	1,911	4,313	363	4,133
	136,640	83,743	60,876	13,434

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 35 (i) of the financial statements as at 31 December 2019.

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) External Credit Assessment Institutions (ECAIs)

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

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

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

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

- Standard & Poor's Rating Services (S&P)
- Moody's Investors Services (Moody's)
- Fitch Ratings (Fitch)
- RAM Rating Services Berhad (RAM)
- Malaysian Rating Corporation Berhad (MARC)

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

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

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

Short Term Rating Category		1	2	3	4	5
Rating Agency	S & P	A-1	A-2	A-3	Others	Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAs (Cont'd)

Risk weights under the Standardised Approach at the reporting date are reflected in page 5 to 8. The rated and unrated exposures according to ratings by ECAs at reporting date are as follows:

31 Dec 2019
Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	1,227,061	10,421,160	-	-	-	-	-	11,648,221
PSEs								
- Exposures risk-weighted using ratings of Corporates	25,000	179,286	444,664	-	-	-	-	648,950
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,022,774	4,039,542	362,082	38,070	93,626	-	-	6,556,094
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	48,724	-	-	-	-	-	48,724
- Exposures risk-weighted using ratings of Banking Institutions	-	37,470	-	-	-	-	-	37,470
- Exposures risk-weighted using ratings of Corporates	2,668,718	375,366	721,525	-	-	-	-	3,765,609
	5,943,553	15,101,548	1,528,271	38,070	93,626	-	-	22,705,068
(ii) Total unrated exposures								
							64,726,770	64,726,770
Total Long Term Exposure	5,943,553	15,101,548	1,528,271	38,070	93,626	-	64,726,770	87,431,838

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAs (Cont'd)

31 Dec 2019

Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	10,017,596	-	-		10,017,596
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,000	-	-	50,118		200,118
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	917,482	3,669,388	119,433	-		4,706,303
Corporates						
- Exposures risk-weighted using ratings of Corporates	864,096	7,203	-	-		871,299
	1,931,578	13,694,187	119,433	50,118	-	15,795,316
(ii) Total unrated exposures					-	-
Total Short Term Exposure	1,931,578	13,694,187	119,433	50,118	-	15,795,316
Group Total Long Term and Short Term Exposure :						103,227,154

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 2018
Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	658,201	10,387,851	-	-	-	-	-	11,046,052
PSEs								
- Exposures risk-weighted using ratings of Corporates	30,000	281,125	666,318	-	-	-	-	977,443
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	1,723,040	2,344,390	407,807	166,763	86,115	1,082	-	4,729,197
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	21,394	-	-	-	-	-	21,394
- Exposures risk-weighted using ratings of Banking Institutions	6,412	634	-	-	-	-	-	7,046
- Exposures risk-weighted using ratings of Corporates	2,343,313	655,404	785,183	-	-	-	-	3,783,900
	4,760,966	13,690,798	1,859,308	166,763	86,115	1,082	-	20,565,032
(ii) Total unrated exposures								
							64,277,639	64,277,639
Total Long Term Exposure	4,760,966	13,690,798	1,859,308	166,763	86,115	1,082	64,277,639	84,842,671

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAs (Cont'd)

31 Dec 2018
Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	10,402,661	-	-		10,402,661
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,000	-	-	36,730		186,730
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	1,014,700	2,090,494	186,491	-		3,291,685
Corporates						
- Exposures risk-weighted using ratings of Corporates	1,067,925	463,193	146,412	-		1,677,530
	2,232,625	12,956,348	332,903	36,730	-	15,558,606
(ii) Total unrated exposures					-	-
Total Short Term Exposure	2,232,625	12,956,348	332,903	36,730	-	15,558,606
Group Total Long Term and Short Term Exposure :						100,401,277

Note:

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2019

Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	1,227,061	7,348,397	-	-	-	-	-	8,575,458
PSEs								
- Exposures risk-weighted using ratings of Corporates	25,000	179,286	444,664	-	-	-	-	648,950
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,109,293	4,014,696	161,437	7,909	93,626	-	-	6,386,961
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	23,025	-	-	-	-	-	23,025
- Exposures risk-weighted using ratings of Banking Institutions	-	37,470	-	-	-	-	-	37,470
- Exposures risk-weighted using ratings of Corporates	2,224,456	314,980	517,975	-	-	-	-	3,057,411
	5,585,810	11,917,854	1,124,076	7,909	93,626	-	-	18,729,275
(ii) Total unrated exposures								
							49,765,041	49,765,041
Total Long Term Exposure	5,585,810	11,917,854	1,124,076	7,909	93,626	-	49,765,041	68,494,316

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 2019

Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	5,312,417	-	-		5,312,417
PSEs						
- Exposures risk-weighted using ratings of Corporates	-	-	-	50,118		50,118
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	1,343,336	3,668,622	119,433	-		5,131,391
Corporates						
- Exposures risk-weighted using ratings of Corporates	352,430	7,203	-	-		359,633
	1,695,766	8,988,242	119,433	50,118	-	10,853,559
(ii) Total unrated exposures						
					-	-
Total Short Term Exposure	1,695,766	8,988,242	119,433	50,118	-	10,853,559
Bank Total Long Term and Short Term Exposure :						79,347,875

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 2018
Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	658,201	7,475,664	-	-	-	-	-	8,133,865
PSEs								
- Exposures risk-weighted using ratings of Corporates	30,000	281,125	335,092	-	-	-	-	646,217
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,216,189	1,937,960	204,963	127,652	86,115	1,082	-	4,573,961
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	12,816	-	-	-	-	-	12,816
- Exposures risk-weighted using ratings of Banking Institutions	4,415	634	-	-	-	-	-	5,049
- Exposures risk-weighted using ratings of Corporates	1,962,910	600,888	783,983	-	-	-	-	3,347,781
	4,871,715	10,309,087	1,324,038	127,652	86,115	1,082	-	16,719,689
(ii) Total unrated exposures								
							49,068,374	49,068,374
Total Long Term Exposure	4,871,715	10,309,087	1,324,038	127,652	86,115	1,082	49,068,374	65,788,063

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 2018

Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	7,563,392	-	-		7,563,392
PSEs						
- Exposures risk-weighted using ratings of Corporates	-	-	-	36,730		36,730
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	2,185,912	2,089,231	186,030	-		4,461,173
Corporates						
- Exposures risk-weighted using ratings of Corporates	512,746	10,668	-	-		523,414
	2,698,658	9,663,291	186,030	36,730	-	12,584,709
(ii) Total unrated exposures						
					-	-
Total Short Term Exposure	2,698,658	9,663,291	186,030	36,730	-	12,584,709
Bank Total Long Term and Short Term Exposure :						78,372,772

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) Credit Risk Mitigation (CRM)

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

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

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

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

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

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

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

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

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2019

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	21,580,507	-	-	-
PSEs	1,800,342	-	2,165	-
Banks, DFIs & MDBs	8,119,491	-	3,118,409	-
Corporates	24,445,932	472,004	616,827	-
Regulatory Retail	6,026,376	50,421	78,227	-
Residential Mortgages	18,229,423	-	-	-
Higher Risk Assets	23,896	-	150	-
Other Assets	1,513,429	-	-	-
Equity Exposure	196,402	-	-	-
Defaulted Exposures	842,300	6,035	2,691	-
Total for On-Balance Sheet Exposures	82,778,098	528,460	3,818,469	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,014,441	-	454,231	1,161,595
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,427,373	432,227	451,947	-
Defaulted Exposures	7,242	-	-	-
Total for Off-Balance Sheet Exposures	20,449,056	432,227	906,178	1,161,595
Total On and Off-Balance Sheet Exposures	103,227,154	960,687	4,724,647	1,161,595

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2018

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	21,214,721	-	-	-
PSEs	1,881,975	-	-	-
Banks, DFIs & MDBs	5,291,472	-	1,099,853	-
Corporates	24,490,126	312,003	771,305	-
Regulatory Retail	5,787,327	16,680	89,689	-
Residential Mortgages	19,057,166	-	-	-
Higher Risk Assets	26,000	-	150	-
Other Assets	926,367	-	-	-
Equity Exposure	186,737	-	-	-
Defaulted Exposures	808,012	12,957	4,085	-
Total for On-Balance Sheet Exposures	79,669,903	341,640	1,965,082	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,879,155	-	232,801	1,355,319
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,844,448	289,755	483,093	-
Defaulted Exposures	7,771	-	-	-
Total for Off-Balance Sheet Exposures	20,731,374	289,755	715,894	1,355,319
Total On and Off-Balance Sheet Exposures	100,401,277	631,395	2,680,976	1,355,319

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2019

Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	13,799,823	-	-	-
PSEs	1,461,789	-	2,165	-
Banks, DFIs & MDBs	8,342,863	-	2,917,764	-
Corporates	18,788,100	432,826	529,902	-
Regulatory Retail	3,497,191	30,176	64,823	-
Residential Mortgages	14,095,231	-	-	-
Higher Risk Assets	19,554	-	-	-
Other Assets	1,322,604	-	-	-
Equity Exposure	196,402	-	-	-
Defaulted Exposures	538,824	2,910	1,379	-
Total for On-Balance Sheet Exposures	62,062,381	465,912	3,516,033	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,035,586	-	454,231	1,161,595
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,244,492	389,729	370,741	-
Defaulted Exposures	5,416	-	-	-
Total for Off-Balance Sheet Exposures	17,285,494	389,729	824,972	1,161,595
Total On and Off-Balance Sheet Exposures	79,347,875	855,641	4,341,005	1,161,595

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2018

Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<i>Credit Risk</i>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	15,463,265	-	-	-
PSEs	1,300,244	-	-	-
Banks, DFIs & MDBs	6,080,617	-	897,009	-
Corporates	18,155,497	201,296	606,153	-
Regulatory Retail	3,414,281	5,788	77,627	-
Residential Mortgages	14,766,209	-	-	-
Higher Risk Assets	19,799	-	-	-
Other Assets	802,703	-	-	-
Equity Exposure	186,737	-	-	-
Defaulted Exposures	531,330	5,911	3,502	-
Total for On-Balance Sheet Exposures	60,720,682	212,995	1,584,291	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,917,263	-	249,014	1,355,319
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,729,085	229,491	406,889	-
Defaulted Exposures	5,742	-	-	-
Total for Off-Balance Sheet Exposures	17,652,090	229,491	655,903	1,355,319
Total On and Off-Balance Sheet Exposures	78,372,772	442,486	2,240,194	1,355,319

Note:

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

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

(g) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

iii) Counterparty Credit Risk

In respect of counterparty credit risk exposures which arise from OTC derivative transactions, a credit limit for counterparty credit risk (CCR) is assigned, monitored and reported in accordance with the Group risk methodology. The credit limit established takes into account the mark to market 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 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 generally reflects the fact that collateral may fall in value between the date the collateral was called and the date of regular margining or date of liquidation or enforcement. Generally, collateral held as credit risk mitigants under CSAs is either cash or government securities.

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

(g) Risk management policies (Cont'd)

5) Interest Rate Risk/Profit Rate Risk

Sensitivity of projected Net Interest/Finance Income

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

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

	Group (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	189,028	(238,453)	67,416	(93,584)
USD	13,178	(22,112)	45,789	(57,377)
Others	6,735	(12,873)	2,691	(14,301)
	208,941	(273,438)	115,896	(165,262)

	Bank (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	171,348	(203,452)	82,393	(102,405)
USD	25,870	(32,569)	33,033	(42,269)
Others	507	(6,993)	(4,001)	(5,733)
	197,725	(243,014)	111,425	(150,407)

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

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

	Group (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(105,695)	143,024	275,180	(278,468)
USD	(26,619)	29,191	94,669	(132,594)
Others	(1,680)	1,353	69,567	(51,651)
	(133,994)	173,568	439,416	(462,713)

	Bank (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(17,474)	38,889	341,580	(361,082)
USD	(27,636)	30,779	91,427	(127,161)
Others	398	(417)	69,003	(51,661)
	(44,712)	69,251	502,010	(539,904)

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

(g) Risk management policies (Cont'd)

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

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

The sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of financial investments at fair value through other comprehensive income (FVOCI) portfolios and cash flow hedges to parallel movements of plus or minus 100 basis points in all yield curves.

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

	Group (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(106,454)	106,454	(137,858)	137,858
USD	(19,697)	19,697	(14,034)	14,034
CNY	(34)	34	(95)	95
	(126,185)	126,185	(151,987)	151,987

	Bank (RM'000)			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(81,005)	81,005	(101,528)	101,528
USD	(19,697)	19,697	(14,034)	14,034
CNY	(34)	34	(95)	95
	(100,736)	100,736	(115,657)	115,657

6) Equities

As at 31 December 2019, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 31 December 2019 was mainly of shares held for the purpose of gaining strategic advantage.

Quoted equities

Quoted shares are not held for capital gains.

Unquoted equities

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

Refer to Note 11 of the financial statements as at 31 December 2019 on the Group's holdings of equity investments.

7) Restatement of comparative figures

The restatement of 31 December 2018 Pillar 3 Disclosures is to align the presentation for certain portfolio of loans/financing and advances with industry practice. The Group and the Bank's prior year profit and loss and retained profits brought forward are not affected by these reclassifications. Refer to Note 48 of the financial statements as at 31 December 2019.

Tables affected by the restatement are as below:

- Table 1 : Geographical distribution of loans/financing and advances by sector breakdown by type (Group and Bank level).
- Table 2 : Geographical distribution of impaired loans/financing and advances breakdown by type (Group and Bank level).
- Table 3 : Residual contractual maturity of loans/financing and advances breakdown by type (Group and Bank level).
- Table 4 : Distribution of loans/financing and advances by sector, breakdown by type (Group and Bank level).
- Table 5 : Distribution of impaired loans/financing and advances by sector, breakdown by type (Group and Bank level).
- Table 6 : All past due loans/financing and advances breakdown by sector (Group and Bank level).
- Table 7 : All past due loans/financing and advances breakdown by geographical location (Group and Bank level).
- Table 8 : Impairment allowance breakdown by sector (Group and Bank level).
- Table 9 : Impairment allowance breakdown by geographical location (Group and Bank level).

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

(g) Risk management policies (Cont'd)

8) Shariah Governance (for HSBC Amanah Malaysia Berhad only)

Overview

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

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission have outlined 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 decisions 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 a delegated authority of the Shariah Committee in providing Shariah advisory to 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, and expectations for effective Shariah governance arrangements in accordance with the guidelines laid down by Shariah-Regulatory Framework Policy Document (PD) and Shariah Governance Policy (SGP) Document of BNM, respectively. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

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

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

a. Board of Directors

To have the ultimate oversight accountability for the institutionalisation of overall Shariah governance framework and Shariah compliance in HBMS.

b. Shariah Committee

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

d. Shariah Audit

To provide periodical independent assessment and objective assurance of the quality and effectiveness on the internal control system for overall Shariah compliance of the HBMS.

e. Shariah Risk Management

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

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

f. Shariah Department

i) Shariah Review

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

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

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

(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 (Cont'd)

ii) Shariah Advisory

To perform in-depth research and studies on Shariah issues and to provide day-to-day Shariah advice and approval to relevant parties, including the Management, product development and business teams as well as the supporting functions.

iii) 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.

iv) Knowledge and Skills Monitoring

To develop content and learning materials on knowledge relevant to HBMS Products and to run the training programmes and monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of HBMS products.

Quantitative Disclosure

a. Shariah Non-Compliance Events:

During the financial year ended 31 December 2019, one (1) actual Shariah non-compliance event has been identified and rectified in accordance with the requirements of Shariah Governance Framework.

b. Shariah Non-Compliance Income:

During the financial year ended 31 December 2019, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i) The amount of RM13,457 in the Account was carried forward from 2018 to 2019.
- ii) Income from inadvertent Shariah non-compliance activities identified by HBMS' management amounted to RM27,115 as at 31 December 2019 is itemised as follows:-
 - RM 21,858 received from income not supported by the underlying transaction in Revolving Financing-i.
 - RM 5,257 received from transactions via Nostro Accounts has been reversed to the Account.
- iii) RM 22,454 has been deducted for 2016 and 2018 tax liabilities on Shariah Penalty & Impure Income.
- iv) RM 15,000 was donated to National Kidney Foundation.

The balance of RM3,118 in the Account is pending distribution in 2020.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial year ended 31 December 2019.