

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 2020

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 Disclosures set out on pages 2 to 43 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 2021

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(Company No.198401015221 (127776-V))
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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
As at 31 December 2020

(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 2020. 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 2020.

(c) Consolidation basis

The basis of consolidation for financial accounting purposes is described in Note 3(a) of the financial statements as at 31 December 2020 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 2020 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 Risk Committee (RC) of the Board for approval.

Risk Appetite

Risk appetite is a key component in our management of risk. It describes the aggregate level and risk types that we are willing to accept in achieving our medium and long-term strategic goals. At HSBC, risk appetite is managed through a global risk appetite framework and articulated in a Risk Appetite Statement (RAS).

The Group's risk appetite informs our strategic and financial planning process, defining the desired forward-looking risk profile of the Group. It is also integrated within other risk management tools, such as the top and emerging risks report and stress testing, to ensure consistency in risk management.

The Risk Appetite Framework as well as the Consolidated RAS will be reviewed by all relevant stakeholders namely Risk, Finance and Global Businesses. It is tabled to the RMM for endorsement, and subsequently tabled to the RC for recommendation to the BOD for approval on bi-annual basis.

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 2020 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.

Pursuant to BNM's Guidelines on Capital Adequacy Framework (Capital Component) issued on the 9 December 2020, the Group has elected to apply the transitional arrangement as specified in paragraph 39.

Under the transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over a four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

- the Capital Ratios computed in accordance with the transitional arrangement
- the Capital Ratios, had the transitional arrangement not been applied.

31 Dec 2020
(RM'000)

Group

Regulatory Capital	With Transitional Arrangement		Without Transitional Arrangement	
	Amount	%	Amount	%
CET1 Capital	9,630,466	17.03	9,472,058	16.75
Tier 1 Capital	10,130,466	17.91	9,972,058	17.63
Tier 2 Capital	821,167	-	922,784	-
Total Capital	10,951,633	19.37	10,894,842	19.27

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(RM'000)

Bank

Regulatory Capital	With Transitional Arrangement		Without Transitional Arrangement	
	Amount	%	Amount	%
CET1 Capital	7,595,278	17.03	7,486,920	16.79
Tier 1 Capital	8,095,278	18.15	7,986,920	17.91
Tier 2 Capital	184,269	-	265,909	-
Total Capital	8,279,547	18.57	8,252,829	18.51

^[1] Refer to Note 41 of the financial statements as at 31 December 2020 for the amount and breakdown of capital components.

^[2] Refer to Note 28 of the financial statements as at 31 December 2020 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 2020 for terms and conditions of the subordinated liabilities.

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

(g) Risk management

Risk management framework

We use the Group's risk management framework in managing risk across the organisation and across all risk types. It is underpinned by our risk culture and is reinforced by the HSBC Values. The framework fosters continuous monitoring of the risk environment, and promotes risk awareness and sound operational and strategic decision making. It also ensures we have a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities.

Culture

HSBC has long recognised the importance of a strong culture. Our culture is reinforced by our Values. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. The fostering of a strong culture is a key responsibility of our senior executives. Our culture is further reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our Values and the achievement of financial and non-financial objectives that are aligned to our risk appetite and strategy.

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves HSBC's risk appetite. It is advised on risk-related matters by the group's Risk Committee. Executive accountability for the ongoing monitoring, assessment and management of the risk environment, and the effectiveness of the risk management framework resides with the group's Chief Risk Officer, supported by the RMM. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All employees have a role to play in risk management. These roles are defined using the Three Lines of Defence model, which takes into account our business and functional structures. We use a defined executive risk governance structure to ensure appropriate oversight and accountability for risk, which facilitates reporting and escalation to the RMM.

Refer to Note 4 of the financial statements as at 31 December 2020 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 (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 2020, the RWA risk absorbent for Syndicated Investment Account for Financing (SIAF)/ Investment Agency Account (IAA) in the Bank amounted to RM2,744m (31 December 2019: RM2,991m). 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 group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

31 Dec 2020

Group

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	23,314,235	23,314,235	874,961	69,997
PSEs	1,632,932	1,629,770	669,235	53,539
Banks, DFIs & MDBs	9,900,857	6,056,816	1,617,416	129,393
Corporates	23,299,273	22,845,823	20,735,257	1,658,820
Regulatory Retail	5,186,505	5,122,098	3,993,437	319,475
Residential Mortgages	17,179,184	17,179,184	6,362,652	509,012
Higher Risk Assets	24,445	24,295	36,442	2,915
Other Assets	1,435,630	1,435,630	1,091,735	87,339
Equity Exposure	213,295	213,295	213,295	17,064
Defaulted Exposures	1,228,160	1,223,927	1,312,053	104,964
Total for On-Balance Sheet Exposures	83,414,516	79,045,073	36,906,483	2,952,518
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,190,870	1,990,831	1,199,898	95,992
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,330,221	15,901,394	11,551,630	924,130
Defaulted Exposures	10,319	10,319	13,792	1,104
Total for Off-Balance Sheet Exposures	20,531,410	17,902,544	12,765,320	1,021,226
Total On and Off-Balance Sheet Exposures ^[1]	103,945,926	96,947,617	49,671,803	3,973,744
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	34,099,800	36,111,988	(2,012,188)	998,661
Foreign Currency Risk	19,834	115,718	115,718	9,257
Options Risk	-	-	-	101,225
	34,119,634	36,227,706	(1,896,470)	1,215,604
Operational Risk (Standardised Approach)	-	-	-	5,662,957
Total RWA and Capital Requirement	-	-	-	56,550,364
				4,524,029

^[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 (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2019

Group

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	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

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 2020 for disclosure on RWA breakdown by various risk categories.

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

(g) Risk management (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2020

Bank

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	18,859,029	18,859,029	812,296	64,984
PSEs	1,152,467	1,149,305	388,795	31,104
Banks, DFIs & MDBs	10,048,297	6,401,117	1,528,833	122,307
Corporates	17,424,903	17,086,218	15,509,137	1,240,731
Regulatory Retail	2,909,131	2,856,412	2,127,205	170,176
Residential Mortgages	13,165,459	13,165,459	4,865,710	389,257
Higher Risk Assets	18,551	18,551	27,826	2,226
Other Assets	1,269,238	1,269,238	1,048,412	83,873
Equity Exposure	213,295	213,295	213,295	17,064
Defaulted Exposures	931,906	929,210	987,965	79,037
Total for On-Balance Sheet Exposures	65,992,276	61,947,834	27,509,474	2,200,759
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,212,781	2,012,742	1,124,738	89,979
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,488,970	13,127,231	9,780,989	782,479
Defaulted Exposures	7,264	7,264	9,444	756
Total for Off-Balance Sheet Exposures	17,709,015	15,147,237	10,915,171	873,214
Total On and Off-Balance Sheet Exposures ^[1]	83,701,291	77,095,071	38,424,645	3,073,973
Market Risk (Standardised Approach)				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	33,195,104	34,123,185	(928,081)	955,771
Foreign Currency Risk	17,032	106,051	106,051	8,484
Options Risk	-	-	-	101,225
	33,212,136	34,229,236	(822,030)	1,163,047
Operational Risk (Standardised Approach)	-	-	-	5,002,558
Total RWA and Capital Requirement	-	-	-	44,590,250
				3,567,222

^[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 (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2019

Bank

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	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)	113,153
Operational Risk (Standardised Approach)	-	-	-	5,119,212
Total RWA and Capital Requirement	-	-	-	46,088,143

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 2020 for disclosure on RWA breakdown by various risk categories.

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

(g) Risk management (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 2020

Group

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	18,939,660	-	-	41,604	17,486	-	-	343,895	-	19,342,645	-
20%	4,426,025	1,426,443	5,844,977	3,650,342	37,033	-	-	-	-	15,384,820	3,076,966
35%	-	-	-	-	-	18,574,346	-	-	-	18,574,346	6,501,021
50%	-	177,897	1,766,841	775,273	33,666	882,229	-	-	-	3,635,906	1,817,954
75%	-	-	-	-	7,199,642	377,943	-	-	-	7,577,585	5,683,189
100%	-	971,910	145,785	27,908,001	900,611	880,264	-	1,091,735	213,295	32,111,601	32,111,601
150%	-	-	28,551	65,477	80,025	118,681	27,980	-	-	320,714	481,072
Total										96,947,617	49,671,803
Average Risk Weight	4%	52%	29%	90%	78%	40%	150%	76%	100%	51%	

31 Dec 2019

Group

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	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%	

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 (Cont'd)

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

31 Dec 2020
(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, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	14,797,781	-	-	25,166	8,786	-	-	220,827	-	15,052,560	-
20%	4,112,699	1,005,689	6,790,850	2,749,174	36,421	-	-	-	-	14,694,833	2,938,967
35%	-	-	-	-	-	14,460,145	-	-	-	14,460,145	5,061,051
50%	-	177,897	1,161,611	570,842	16,893	654,962	-	-	-	2,582,205	1,291,103
75%	-	-	-	-	4,836,046	301,951	-	-	-	5,137,997	3,853,498
100%	-	673,388	145,785	22,017,037	120,232	723,793	-	1,048,412	213,295	24,941,942	24,941,942
150%	-	-	28,551	48,932	42,609	83,589	21,708	-	-	225,389	338,084
Total										77,095,071	38,424,645
Average Risk Weight	4%	52%	26%	90%	76%	40%	150%	83%	100%	50%	

31 Dec 2019
(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, 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%	

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 (Cont'd)

3) Credit Risk

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

Group (RM'000)	31 Dec 2020				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	88,944	76,197	340,357	64,247	569,745
Term loans/financing					
Housing loans/financing	3,020,884	2,473,234	10,765,522	850,252	17,109,892
Syndicated term loan/financing	58,643	106,176	3,979,650	-	4,144,469
Factoring receivables	15,002	43,479	489,829	170,491	718,801
Hire purchase receivables	50,343	62,665	76,202	17,338	206,548
Other term loans/financing	1,095,266	1,301,962	7,517,375	468,530	10,383,133
Bills receivables	119,695	153,790	3,627,395	25,203	3,926,083
Trust receipts	424,206	653,790	1,295,382	35,119	2,408,497
Claims on customers under acceptance credits	282,369	263,903	316,196	12,331	874,799
Staff loans/financing	9,086	5,006	47,169	3,114	64,375
Credit/charge cards	584,903	494,518	2,033,146	260,369	3,372,936
Revolving financing	251,700	303,736	7,150,614	107,884	7,813,934
Other loans/financing	3,311	1,753	6,091	2,812	13,967
	6,004,352	5,940,209	37,644,928	2,017,690	51,607,179

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

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 (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2020				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	77,000	58,039	299,862	64,247	499,148
Term loans/financing					
Housing loans/financing	2,493,996	1,971,046	7,881,700	719,149	13,065,891
Syndicated term loan/financing	58,643	106,176	2,814,896	-	2,979,715
Factoring receivables	15,002	43,479	489,829	170,491	718,801
Other term loans/financing	809,324	676,593	4,904,719	323,011	6,713,647
Bills receivables	79,723	98,340	3,069,949	25,203	3,273,215
Trust receipts	418,976	635,988	871,231	35,119	1,961,314
Claims on customers under acceptance credits	209,217	158,985	213,040	11,463	592,705
Staff loans/financing	8,361	4,973	45,648	3,107	62,089
Credit/charge cards	394,022	308,051	1,373,178	207,362	2,282,613
Revolving financing	207,982	195,156	5,096,068	107,598	5,606,804
Other loans/financing	2,402	1,164	3,994	2,786	10,346
	4,774,648	4,257,990	27,064,114	1,669,536	37,766,288

	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

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

Group (RM'000)	31 Dec 2020				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	3,638	15,336	50,072	9,576	78,622
Term loans/financing					
Housing loans/financing	141,138	126,243	579,062	36,554	882,997
Hire purchase receivables	-	374	61	-	435
Other term loans/financing	42,760	23,282	474,181	33,277	573,500
Bills receivables	30	4,072	12,007	-	16,109
Trust receipts	-	3,961	8,648	-	12,609
Claims on customers under acceptance credits	1,720	10,393	18,121	-	30,234
Staff loans/financing	-	-	354	-	354
Credit/charge cards	13,410	15,037	47,390	7,079	82,916
Revolving financing	-	-	129,506	10,930	140,436
Other loans/financing	3,043	1,703	5,751	2,792	13,289
	205,739	200,401	1,325,153	100,208	1,831,501

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

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2020				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	3,245	11,076	48,028	9,576	71,925
Term loans/financing					
Housing loans/financing	110,316	93,321	383,036	32,024	618,697
Other term loans/financing	28,243	8,128	223,987	24,992	285,350
Bills receivables	-	-	-	-	-
Trust receipts	-	3,961	8,648	-	12,609
Claims on customers under acceptance credits	1,720	10,393	18,121	-	30,234
Staff loans/financing	-	-	354	-	354
Credit/charge cards	8,604	8,841	32,488	5,503	55,436
Revolving financing	-	-	129,506	10,930	140,436
Other loans/financing	2,167	1,127	3,703	2,768	9,765
	154,295	136,847	847,871	85,793	1,224,806

	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

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

		31 Dec 2020				
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	569,745	-	-	-	569,745	
Term loans/financing						
Housing loans/financing	60,518	57,828	149,428	16,842,118	17,109,892	
Syndicated term loan/financing	224,493	3,190,824	611,828	117,324	4,144,469	
Factoring receivables	718,801	-	-	-	718,801	
Hire purchase receivables	11,352	92,216	102,980	-	206,548	
Other term loans/financing	1,109,997	3,021,488	2,563,725	3,687,923	10,383,133	
Bills receivables	3,926,083	-	-	-	3,926,083	
Trust receipts	2,408,497	-	-	-	2,408,497	
Claims on customers under acceptance credits	874,799	-	-	-	874,799	
Staff loans/financing	774	7,018	13,613	42,970	64,375	
Credit/charge cards	3,372,936	-	-	-	3,372,936	
Revolving financing	7,753,922	60,012	-	-	7,813,934	
Other loans/financing	13,967	-	-	-	13,967	
	21,045,884	6,429,386	3,441,574	20,690,335	51,607,179	

		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	

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

		31 Dec 2020			
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	499,148	-	-	-	499,148
Term loans/financing					
Housing loans/financing	54,409	54,777	133,558	12,823,147	13,065,891
Syndicated term loan/financing	167,576	2,205,977	577,330	28,832	2,979,715
Factoring receivables	718,801	-	-	-	718,801
Other term loans/financing	774,330	2,106,503	1,811,488	2,021,326	6,713,647
Bills receivables	3,273,215	-	-	-	3,273,215
Trust receipts	1,961,314	-	-	-	1,961,314
Claims on customers under acceptance credits	592,705	-	-	-	592,705
Staff loans/financing	725	6,829	12,885	41,650	62,089
Credit/charge cards	2,282,613	-	-	-	2,282,613
Revolving financing	5,546,792	60,012	-	-	5,606,804
Other loans/financing	10,346	-	-	-	10,346
	15,881,974	4,434,098	2,535,261	14,914,955	37,766,288

		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

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2020 Group (RM'000)														
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	12,422	-	-	-	1,404	50,397	-	-	15,436	-	32	38,087	-	117,778
Mining and quarrying	4,500	-	-	-	995	172,802	-	505	3,031	-	74	85,078	-	266,985
Manufacturing	163,447	-	587,702	445,613	115,260	2,396,247	627,272	1,016,954	496,672	-	1,595	877,851	3,149	6,731,762
Electricity, gas and water	2,678	-	-	456	-	20,858	14,671	4,413	2,513	-	25	62,414	4	108,032
Construction	46,901	-	154,457	-	2,575	1,087,378	156,508	221,012	18,381	-	351	2,027,764	161	3,715,488
Real estate	10,104	-	1,777,956	-	-	2,119,759	-	59,278	-	-	30	701,913	59	4,669,099
Wholesale & retail trade and restaurants & hotels	111,583	-	34,685	124,100	9,543	765,129	414,749	859,915	316,363	-	817	1,163,854	383	3,801,121
Transport, storage and communication	17,739	-	-	12,313	29,597	321,055	31,224	104,552	8,575	-	120	163,464	65	688,704
Finance, insurance/takaful and business services	87,479	-	-	131,516	12,415	332,942	72,322	53,511	10,867	-	1,981	2,332,676	133	3,035,842
Household-retail	98,638	17,109,892	-	-	-	2,548,967	-	-	-	64,375	3,367,587	-	9,931	23,199,390
Others	14,254	-	1,589,669	4,803	34,759	567,599	2,609,337	88,357	2,961	-	324	360,833	82	5,272,978
	569,745	17,109,892	4,144,469	718,801	206,548	10,383,133	3,926,083	2,408,497	874,799	64,375	3,372,936	7,813,934	13,967	51,607,179

31 Dec 2019 Group (RM'000)														
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving 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

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2020												
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	10,616	-	-	-	41,236	-	-	-	32	35,066	-	102,386
Mining and quarrying	2,186	-	-	-	50,641	-	505	-	74	80,073	-	134,715
Manufacturing	141,410	-	546,920	445,613	1,579,512	495,145	976,911	-	1,595	682,712	2,655	5,226,247
Electricity, gas and water	2,675	-	-	456	14,637	164	4,413	-	25	2,106	4	25,990
Construction	39,761	-	154,457	-	885,289	75,850	199,758	-	351	1,294,026	146	2,659,102
Real estate	10,104	-	1,486,918	-	1,676,829	-	59,278	-	30	566,902	59	3,800,120
Wholesale & retail trade and restaurants & hotels	96,806	-	34,685	124,100	619,517	281,070	560,405	-	817	1,099,380	268	3,014,292
Transport, storage and communication	17,029	-	-	12,313	250,978	30,954	61,491	-	120	127,310	57	502,720
Finance, insurance/takaful and business services	78,432	-	-	131,516	196,909	59,212	53,511	-	1,981	1,521,059	20	2,051,940
Household-retail	98,610	13,065,891	-	-	1,169,480	-	-	62,089	2,277,264	-	7,072	16,680,406
Others	1,519	-	756,735	4,803	228,619	2,330,820	45,042	-	324	198,170	65	3,568,370
	499,148	13,065,891	2,979,715	718,801	6,713,647	3,273,215	1,961,314	592,705	62,089	2,282,613	10,346	37,766,288

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	-	-	-	27	86,507	-	166,505
Mining and quarrying	3,091	-	-	118	50,597	-	9,655	-	122	112,424	-	177,453
Manufacturing	233,584	-	678,272	379,374	1,522,416	399,286	1,095,786	-	3,056	1,428,388	2,040	6,489,904
Electricity, gas and water	2,094	-	-	443	12,799	52,807	6,914	-	57	1,506	-	79,117
Construction	56,138	-	63,933	-	705,270	105,548	151,242	-	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	-	1,536	1,343,190	851	3,036,125
Transport, storage and communication	15,765	-	-	-	147,690	19,432	30,860	-	441	149,961	54	370,418
Finance, insurance/takaful and business services	204,313	-	-	9,284	285,007	77,803	82,813	-	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	-	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	11,391	38,525,431

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2020 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
Agricultural, hunting, forestry and fishing	319	-	-	-	-	-	-	-	-	-	319
Manufacturing	26,361	-	-	16,176	7,843	12,352	26,580	-	17,419	3,149	109,880
Electricity, gas and water	-	-	-	483	-	-	-	-	-	4	487
Construction	1,476	-	230	13,186	1,328	-	-	-	-	161	16,381
Real estate	578	-	-	11,527	-	-	-	-	-	59	12,164
Wholesale & retail trade and restaurants & hotels	45,317	-	-	13,483	3,239	222	3,654	-	-	383	66,298
Transport, storage and communication	-	-	205	-	-	-	-	-	117,799	65	118,069
Finance, insurance/takaful and business services	2,314	-	-	1,930	3,699	35	-	-	-	133	8,111
Household-retail	2,257	882,997	-	493,429	-	-	354	82,916	-	9,253	1,471,206
Others	-	-	-	23,286	-	-	-	-	5,218	82	28,586
	78,622	882,997	435	573,500	16,109	12,609	30,234	354	82,916	140,436	1,831,501

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	-	28,018	-	11,136	1,962	79,934
Electricity, gas and water	-	-	-	600	-	-	-	-	-	-	600
Construction	2,663	-	529	4,926	7,623	2,825	15,483	-	-	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	7,959	-	-	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	202	-	5,441	67	33,142
	39,297	379,183	1,117	428,841	31,797	4,143	51,662	626	35,988	14,384	1,003,447

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

(g) Risk management (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 2020 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
Manufacturing	23,190	-	10,561	-	12,352	26,580	-	-	17,419	2,655	92,757
Electricity, gas and water	-	-	483	-	-	-	-	-	-	4	487
Construction	437	-	12,088	-	-	-	-	-	-	146	12,671
Real estate	578	-	11,527	-	-	-	-	-	-	59	12,164
Wholesale & retail trade and restaurants & hotels	44,863	-	5,912	-	222	3,654	-	-	-	268	54,919
Transport, storage and communication	-	-	-	-	-	-	-	-	117,799	57	117,856
Finance, insurance/takaful and business services	601	-	1,467	-	35	-	-	-	-	20	2,123
Household-retail	2,256	618,697	241,625	-	-	-	354	55,436	-	6,491	924,859
Others	-	-	1,687	-	-	-	-	-	5,218	65	6,970
	71,925	618,697	285,350	-	12,609	30,234	354	55,436	140,436	9,765	1,224,806

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	10,354	618,144

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

(g) Risk management (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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Agricultural, hunting, forestry and fishing	319	-	-	-
Manufacturing	71,077	141,393	64,260	124,224
Electricity, gas and water	4	632	4	632
Construction	7,251	24,620	3,689	14,587
Real estate	16,565	33,818	16,059	16,726
Wholesale & retail trade and restaurants & hotels	72,163	63,197	54,753	49,451
Transport, storage and communication	18,073	19,217	17,860	18,870
Finance, insurance/takaful and business services	-	54,209	-	54,209
Household-retail	2,046,114	2,597,492	1,410,139	1,801,275
Others	192,393	94,660	188,390	69,263
	2,423,959	3,029,238	1,755,154	2,149,237

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

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Northern region	361,983	485,290	281,368	369,145
Southern region	346,536	463,621	254,720	330,756
Central region	1,572,530	1,900,390	1,100,649	1,295,578
Eastern region	142,910	179,937	118,417	153,758
	2,423,959	3,029,238	1,755,154	2,149,237

^[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 2020 respectively.

Table 8: Impairment allowance breakdown by sector

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Agricultural, hunting, forestry and fishing	381	316	298	291
Mining and quarrying	101	179	76	88
Manufacturing	64,430	33,504	56,413	28,678
Electricity, gas and water	49	576	47	123
Construction	16,516	31,512	11,671	25,653
Real estate	86,498	33,962	80,232	4,801
Wholesale & retail trade and restaurants & hotels	32,689	18,047	30,084	11,539
Transport, storage and communication	52,364	17,571	51,473	16,407
Finance, insurance/takaful and business services	413	280	369	143
Household-retail	588,930	391,964	268,518	185,530
Others	12,024	7,878	6,899	5,271
	854,395	535,789	506,080	278,524

Table 9: Impairment allowance breakdown by geographical location

	Group (RM'000)		Bank (RM'000)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Northern region	77,210	64,782	41,597	35,352
Southern region	168,797	65,303	128,874	36,255
Central region	578,466	386,695	316,895	194,739
Eastern region	29,922	19,009	18,714	12,178
	854,395	535,789	506,080	278,524

The breakdown of loan/financing impairment provisions during the year is disclosed in Note 14 (i) of the financial statements as at 31 December 2020.

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

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

<i>Charges / (Release)</i>	Group (RM'000)		Bank (RM'000)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Agricultural, hunting, forestry and fishing	67	(73)	9	(70)
Mining and quarrying	(35)	(382)	(6)	(307)
Manufacturing	31,749	24,444	28,544	24,714
Electricity, gas and water	(526)	481	(75)	88
Construction	11,831	20,163	12,170	18,660
Real estate	78,622	3,363	75,391	(724)
Wholesale & retail trade and restaurants & hotels	27,382	(205)	25,495	(2,139)
Transport, storage and communication	36,199	2,720	36,471	3,522
Finance, insurance/takaful and business services	(190)	108	247	29
Household-retail	285,708	84,110	130,579	16,740
Others	4,213	1,911	1,730	363
	475,020	136,640	310,555	60,876

The breakdown of loan/financing impairment provisions during the year is disclosed in Note 35 (i) of the financial statements as at 31 December 2020.

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

(g) Risk management (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 detailed risk weights and rating categories. All other exposure classes are assigned risk weightings as detailed 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 (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 (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

The rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:

31 Dec 2020
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	18,939,660	4,426,025	-	-	-	-		23,365,685
PSEs								
- Exposures risk-weighted using ratings of Corporates	276,014	179,227	264,730	-	-	-		719,971
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,353,637	1,889,285	4,226,113	80,661	148,355	8,750		8,706,801
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	18,135	-	-	-	-	-		18,135
- Exposures risk-weighted using ratings of Banking Institutions	3,902	384	-	-	-	-		4,286
- Exposures risk-weighted using ratings of Corporates	3,344,677	434,498	534,552	-	-	-		4,313,727
	24,936,025	6,929,419	5,025,395	80,661	148,355	8,750	-	37,128,605
(ii) Total unrated exposures								
							61,191,665	61,191,665
Total Long Term Exposure	24,936,025	6,929,419	5,025,395	80,661	148,355	8,750	61,191,665	98,320,270

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2020

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	-	-	-	-	-	-
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,303	-	-	-	-	150,303
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	2,632,235	1,871,764	21,622	-	-	4,525,621
Corporates						
- Exposures risk-weighted using ratings of Corporates	933,454	16,278	-	-	-	949,732
	3,715,992	1,888,042	21,622	-	-	5,625,656
(ii) Total unrated exposures						
					-	-
Total Short Term Exposure	3,715,992	1,888,042	21,622	-	-	5,625,656

Group Total Long Term and Short Term Exposure :	103,945,926
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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

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 (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (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

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 (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2020

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	14,797,781	4,112,699	-	-	-	-		18,910,480
PSEs								
- Exposures risk-weighted using ratings of Corporates	255,594	179,227	264,730	-	-	-		699,551
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	2,640,733	1,654,029	4,029,252	80,661	148,355	8,750		8,561,780
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	14,632	-	-	-	-	-		14,632
- Exposures risk-weighted using ratings of Banking Institutions	3,902	384	-	-	-	-		4,286
- Exposures risk-weighted using ratings of Corporates	2,774,348	354,025	414,425	-	-	-		3,542,798
	20,486,990	6,300,364	4,708,407	80,661	148,355	8,750	-	31,733,527
(ii) Total unrated exposures								
							46,684,509	46,684,509
Total Long Term Exposure	20,486,990	6,300,364	4,708,407	80,661	148,355	8,750	46,684,509	78,418,036

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

(g) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2020

Bank (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	-	-	-	-		-
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	2,888,337	1,870,716	21,622	-		4,780,675
Corporates						
- Exposures risk-weighted using ratings of Corporates	486,302	16,278	-	-		502,580
	3,374,639	1,886,994	21,622	-	-	5,283,255
(ii) Total unrated exposures						
					-	-
Total Short Term Exposure	3,374,639	1,886,994	21,622	-	-	5,283,255

Bank Total Long Term and Short Term Exposure :	83,701,291
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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(g) Risk management (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 (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
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Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

(g) Risk management (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 (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 2020
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	23,314,235	-	-	-
PSEs	1,632,932	150,426	3,162	-
Banks, DFIs & MDBs	9,900,857	-	3,844,041	-
Corporates	23,299,273	1,040,532	453,450	-
Regulatory Retail	5,186,505	55,102	64,407	-
Residential Mortgages	17,179,184	-	-	-
Higher Risk Assets	24,445	-	150	-
Other Assets	1,435,630	-	-	-
Equity Exposure	213,295	-	-	-
Defaulted Exposures	1,228,160	7,809	4,233	-
Total for On-Balance Sheet Exposures	83,414,516	1,253,869	4,369,443	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,190,870	-	773,705	1,426,334
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,330,221	264,452	428,827	-
Defaulted Exposures	10,319	-	-	-
Total for Off-Balance Sheet Exposures	20,531,410	264,452	1,202,532	1,426,334
Total On and Off-Balance Sheet Exposures	103,945,926	1,518,321	5,571,975	1,426,334

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

(g) Risk management (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 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
<u>Credit Risk</u>				
<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

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 (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 2020
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	18,859,029	-	-	-
PSEs	1,152,467	150,426	3,162	-
Banks, DFIs & MDBs	10,048,297	-	3,647,180	-
Corporates	17,424,903	897,968	338,685	-
Regulatory Retail	2,909,131	47,883	52,719	-
Residential Mortgages	13,165,459	-	-	-
Higher Risk Assets	18,551	-	-	-
Other Assets	1,269,238	-	-	-
Equity Exposure	213,295	-	-	-
Defaulted Exposures	931,906	3,741	2,696	-
Total for On-Balance Sheet Exposures	65,992,276	1,100,018	4,044,442	-
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,212,781	-	773,705	1,426,334
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,488,970	224,748	361,739	-
Defaulted Exposures	7,264	-	-	-
Total for Off-Balance Sheet Exposures	17,709,015	224,748	1,135,444	1,426,334
Total On and Off-Balance Sheet Exposures	83,701,291	1,324,766	5,179,886	1,426,334

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

(g) Risk management (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 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
<u>Credit Risk</u>				
<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

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 (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 (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 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	232,718	(254,271)	189,028	(238,453)
USD	52,128	(23,906)	13,178	(22,112)
Others	4,570	(159)	6,735	(12,873)
	289,416	(278,336)	208,941	(273,438)

	Bank (RM'000)			
	31 Dec 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	247,136	(260,942)	171,348	(203,452)
USD	49,748	(23,650)	25,870	(32,569)
Others	(1,984)	(1,725)	507	(6,993)
	294,900	(286,317)	197,725	(243,014)

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 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(6,220)	35,277	(105,695)	143,024
USD	(20,130)	11,540	(26,619)	29,191
Others	(2,151)	1,036	(1,680)	1,353
	(28,501)	47,853	(133,994)	173,568

	Bank (RM'000)			
	31 Dec 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	101,744	(88,846)	(17,474)	38,889
USD	(6,755)	4,621	(27,636)	30,779
Others	(109)	(77)	398	(417)
	94,880	(84,302)	(44,712)	69,251

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

(g) Risk management (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 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(95,513)	95,513	(106,454)	106,454
USD	(5,055)	5,055	(19,697)	19,697
CNY	-	-	(34)	34
	(100,568)	100,568	(126,185)	126,185

	Bank (RM'000)			
	31 Dec 2020		31 Dec 2019	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(71,838)	71,838	(81,005)	81,005
USD	(5,055)	5,055	(19,697)	19,697
CNY	-	-	(34)	34
	(76,893)	76,893	(100,736)	100,736

6) Equities

As at 31 December 2020, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 31 December 2020 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 10 of the financial statements as at 31 December 2020 on the Group's holdings of equity investments.

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

(g) Risk management (Cont'd)

7) 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 (SGF)

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 of HBMS.

b. Shariah Committee

To have the oversight responsibility and accountability in providing objective and sound advice or decisions to ensure on the operations, affairs and business activities of HBMS are in compliance with Shariah.

c. CEO and Management

To be primarily responsible over the day-to-day management of HBMS in ensuring compliance with Shariah in all aspects of its operations, affairs and business activities by observing and implementing the Shariah rulings by the Shariah Advisory Council of BNM (SAC) and decisions of 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 independent assessment on the quality and effectiveness of HBMS' internal control, risk management systems, governance processes as well as the overall compliance of HBMS' operations, businesses, affairs and activities with Shariah.

e. Shariah Risk Management

To identify, measure, monitor and report Shariah non-compliance risks in the operations, businesses, affairs and activities of 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)

(g) Risk management (Cont'd)

7) Shariah Governance (Cont'd)

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

f. Shariah Department

i) Shariah Review

To conduct regular assessment on the compliance of the operations, businesses, affairs and activities of HBMS with Shariah requirements.

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 perform in-depth research and studies on Shariah issues and to provide day-to-day Shariah advice and approval on Shariah matters based on the rulings of the SAC and decisions or advice of the Shariah committee to relevant parties, including the Management, product development and business teams as well as the supporting functions.

iii) Shariah Secretariat

To coordinate, communicate and disseminate information among the Shariah committee, the board and senior management, and to ensure proper dissemination of decisions or advice of the Shariah Committee within HBMS.

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 2020, no actual Shariah non-compliance event has been identified.

b. Shariah Non-Compliance Income:

During the financial year ended 31 December 2020, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i) The amount of RM3,118 in the Account was carried forward from 2019 to 2020.
- ii) Income from inadvertent Shariah non-compliance activities identified by HBMS' management amounted to RM6,974 as at 31 December 2020 received from transactions via Nostro Accounts has been reversed to the Account.
- iii) RM9,148 was donated to Pertiwi Soup Kitchen.

The balance of RM944 in the Account is pending distribution in 2021.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial year ended 31 December 2020.