

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures
at 30 June 2015

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Mohamed Rafe bin Mohamed Haneef, being the Chief Executive Officer of HSBC Amanah Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 2 to 25 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

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MOHAMED RAFAE BIN MOHAMED HANEEF

CHIEF EXECUTIVE OFFICER
22 July 2015

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

The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures at 30 June 2015 do not include all of the information required for full (Basel II) Pillar 3 Disclosures, and should be read in conjunction with the audited financial statements of HSBC Amanah Malaysia Berhad (the Bank) for the financial year ended 31 December 2014 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures at 31 December 2014.

The tables attached in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures provide an understanding of the quantitative changes relating to Pillar 3 Disclosures of the Bank since the financial year ended 31 December 2014. There are no material changes relating to qualitative disclosures during the interim reporting period.

Stress Testing

Stress testing is a key risk management tool used to assess a variety of risks to which the Bank is exposed, including credit risk, market risk, operational risk, etc. Stress testing should be conducted on entity level and a bank-wide basis.

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

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

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

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

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

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

Governance

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

Refer to Note 30 to the unaudited condensed interim financial statements at 30 June 2015 for the total risk weighted capital ratio, Common Equity Tier 1 and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

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

1) RWA and Capital Requirement

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

30 June 2015
(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	6,305,576	6,305,576	-	-
PSEs	396,788	396,788	396,788	31,743
Banks, DFIs & MDBs	292,755	290,314	62,280	4,982
Corporates	4,711,343	4,609,476	4,420,598	353,648
Regulatory Retail	2,110,036	2,086,104	1,568,289	125,463
House Financing	4,036,599	4,033,825	1,636,193	130,895
Other Assets	113,503	113,503	31,766	2,541
Defaulted Exposures	127,722	123,314	134,179	10,734
Total for On-Balance Sheet Exposures	18,094,322	17,958,900	8,250,093	660,006
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	510,957	255,607	198,282	15,863
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,987,673	2,929,520	2,151,985	172,159
Defaulted Exposures	7,259	6,597	9,895	792
Total for Off-Balance Sheet Exposures	3,505,889	3,191,724	2,360,162	188,814
Total On and Off-Balance Sheet Exposures *	21,600,211	21,150,624	10,610,255	848,820
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	4,245,881	4,546,937	(301,056)	128,720
Foreign Currency Risk	8,829	1,965	8,829	706
	4,254,710	4,548,902	(292,227)	137,549
Operational Risk (Basic Indicator Approach)	-	-	-	912,929
Total RWA and Capital Requirement	-	-	-	11,660,733
				932,858

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

1) RWA and Capital Requirement (Cont'd)

31 Dec 2014
(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	4,907,238	4,907,238	-	-
PSEs	376,507	376,507	376,507	30,120
Banks, DFIs & MDBs	648,413	648,413	134,948	10,796
Corporates	4,159,640	4,096,997	3,914,353	313,148
Regulatory Retail	2,067,856	2,038,201	1,534,085	122,727
House Financing	3,841,506	3,838,737	1,570,106	125,609
Other Assets	207,668	207,668	108,198	8,655
Defaulted Exposures	105,079	104,121	112,033	8,963
Total for On-Balance Sheet Exposures	16,313,907	16,217,882	7,750,230	620,018
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	452,768	452,768	188,391	15,072
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,749,459	2,691,603	2,053,687	164,295
Defaulted Exposures	6,272	6,177	9,266	741
Total for Off-Balance Sheet Exposures	3,208,499	3,150,548	2,251,344	180,108
Total On and Off-Balance Sheet Exposures *	19,522,406	19,368,430	10,001,574	800,126
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	4,267,016	4,855,382	(588,366)	100,444
Foreign Currency Risk	9,909	2,635	9,909	793
Total market risk	4,276,925	4,858,017	(578,457)	110,353
Operational Risk (Basic Indicator Approach)	-	-	-	919,539
Total RWA and Capital Requirement	-	-	-	11,031,466

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

OTC - Over the counter

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

Refer to Note 30 and Note 31 to the unaudited condensed interim financial statements at 30 June 2015 for disclosure of counterparty credit risk and disclosure of off-balance sheet respectively.

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

2) Risk Weight Profile and RWA

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

30 June 2015
(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	House Financing	Other Assets		
0%	6,305,576	-	-	3,576	2,836	-	81,736	6,393,724	-
20%	-	133,167	333,261	763,461	5,718	-	-	1,235,607	247,121
35%	-	-	-	-	-	3,329,589	-	3,329,589	1,165,356
50%	-	-	226,716	85,546	401	356,573	-	669,236	334,618
75%	-	-	-	3,956	2,438,356	261,147	-	2,703,459	2,027,594
100%	-	474,259	36,249	5,665,445	65,794	512,382	31,766	6,785,895	6,785,895
150%	-	-	261	7,813	24,295	745	-	33,114	49,671
Total								21,150,624	10,610,255
Weight	0%	82%	36%	90%	76%	46%	28%	50%	

31 Dec 2014
(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	House Financing	Other Assets		
0%	4,907,238	-	-	3,785	2,647	-	99,470	5,013,140	-
20%	-	69,832	956,274	645,993	5,073	-	-	1,677,172	335,434
35%	-	-	-	-	-	3,146,726	-	3,146,726	1,101,354
50%	-	-	227,101	84,429	506	302,515	-	614,551	307,275
75%	-	-	-	4,334	2,353,307	330,779	-	2,688,420	2,016,315
100%	-	408,954	53,467	5,109,553	67,870	454,830	108,198	6,202,872	6,202,872
150%	-	-	3,336	2,719	18,039	1,455	-	25,549	38,324
Total								19,368,430	10,001,574
Weight	0%	88%	29%	90%	76%	46%	52%	52%	

Note:

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

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

3) Credit Risk

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

		30 June 2015				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		9,871	21,951	66,125	1,992	99,939
Term financing						
House financing		575,547	596,663	2,671,372	189,616	4,033,198
Syndicated term financing		-	-	366,079	-	366,079
Hire purchase receivables		64,436	52,749	90,242	28,989	236,416
Lease receivables		-	-	4,750	-	4,750
Other term financing		375,404	690,523	3,458,478	195,958	4,720,363
Trust receipts		83,055	19,745	298,712	4,532	406,044
Claims on customers under acceptance credits		111,437	129,778	471,948	8,679	721,842
Staff financing-i		592	1,092	5,155	486	7,325
Credit cards-i		98,723	74,021	306,868	26,958	506,570
Revolving credit		2,604	5,353	571,096	-	579,053
		1,321,669	1,591,875	8,310,825	457,210	11,681,579

		31 Dec 2014 (Restated - refer Note 6)				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		14,459	21,804	55,006	1,939	93,208
Term financing						
House financing		549,994	548,360	2,537,110	185,282	3,820,746
Hire purchase receivables		55,179	45,175	99,297	34,879	234,530
Lease receivables		-	-	5,373	-	5,373
Other term financing		413,894	702,782	3,254,382	220,316	4,591,374
Trust receipts		122,529	18,396	214,705	2,961	358,591
Claims on customers under acceptance credits		87,274	114,970	408,959	8,055	619,258
Staff financing-i		636	874	6,065	462	8,037
Credit cards-i		99,778	74,156	297,987	27,899	499,820
Revolving credit		25,094	3,020	589,962	163	618,239
		1,368,837	1,529,537	7,468,846	481,956	10,849,176

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 states of Selangor and the Federal Territory of Kuala Lumpur .

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

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

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

3) Credit Risk (Cont'd)

Table 2: Geographical distribution of impaired financing and advances breakdown by type

		30 June 2015				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		213	-	4,624	-	4,837
Term financing						
House financing		16,800	15,933	40,596	2,132	75,461
Hire purchase receivables		2,227	228	1,009	4,519	7,983
Other term financing		8,031	4,437	61,974	1,496	75,938
Claims on customers under acceptance credits		19	-	1,218	-	1,237
Staff financing-i		-	-	19	11	30
Credit cards-i		3,217	2,149	7,007	723	13,096
		30,507	22,747	116,447	8,881	178,582

		31 Dec 2014				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		238	-	614	-	852
Term financing						
House financing		13,624	7,595	33,651	1,037	55,907
Hire purchase receivables		6,006	281	737	4,735	11,759
Other term financing		10,356	10,845	54,150	2,788	78,139
Claims on customers under acceptance credits		102	603	715	-	1,420
Credit cards-i		3,538	1,921	8,113	578	14,150
		33,864	21,245	97,980	9,138	162,227

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

3) Credit Risk (Cont'd)

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

		30 June 2015			
RM'000	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line-i	99,939	-	-	-	99,939
Term financing					
House financing	25,874	2,619	7,291	3,997,414	4,033,198
Syndicated term financing	-	-	366,079	-	366,079
Hire purchase receivables	15,198	80,085	141,133	-	236,416
Lease receivables	-	1,551	3,199	-	4,750
Other term financing	1,695,583	702,917	1,090,243	1,231,620	4,720,363
Trust receipts	406,044	-	-	-	406,044
Claims on customers under acceptance credits	721,377	465	-	-	721,842
Staff financing-i	39	745	2,110	4,431	7,325
Credit cards-i	506,570	-	-	-	506,570
Revolving credit	579,053	-	-	-	579,053
	4,049,677	788,382	1,610,055	5,233,465	11,681,579

		31 Dec 2014 (Restated - refer Note 6)			
RM'000	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line-i	93,208	-	-	-	93,208
Term financing					
House financing	16,960	1,294	13,469	3,789,023	3,820,746
Hire purchase receivables	12,108	89,426	132,214	782	234,530
Lease receivables	-	1,696	3,677	-	5,373
Other term financing	2,492,929	309,016	721,940	1,067,489	4,591,374
Trust receipts	358,591	-	-	-	358,591
Claims on customers under acceptance credits	619,258	-	-	-	619,258
Staff financing -i	129	667	2,055	5,186	8,037
Credit cards-i	499,820	-	-	-	499,820
Revolving credit	618,239	-	-	-	618,239
	4,711,242	402,099	873,355	4,862,480	10,849,176

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

3) Credit risk (Cont'd)

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

30 June 2015 RM'000											
Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit card-i	Revolving credit	Total
Agricultural, hunting, forestry and fishing	3,650	-	366,079	7,642	-	236,563	-	4,495	-	-	618,429
Mining and quarrying	1,701	-	-	4,860	-	1,466	-	80,144	-	187,296	275,467
Manufacturing	22,708	-	-	108,193	-	616,809	109,791	303,382	-	6,715	1,167,598
Electricity, gas and water	475	-	-	352	-	52,281	-	7,147	-	2,022	62,277
Construction	8,199	-	-	12,040	-	413,335	3,076	39,240	-	100,534	576,424
Real estate	612	-	-	-	-	255,902	-	-	-	5,049	261,563
Wholesale & retail trade and restaurants & hotels	18,794	-	-	39,540	-	239,439	232,089	245,308	-	72,480	847,650
Transport, storage and communication	7,440	-	-	22,474	-	157,774	24,667	5,964	-	13,202	231,521
Finance, takaful and business services	34,584	-	-	15,073	4,750	948,940	-	35,416	-	45,110	1,083,873
Household-retail	105	4,033,198	-	-	-	1,226,975	-	-	7,325	506,570	5,774,173
Others	1,671	-	-	26,242	-	570,879	36,421	746	-	146,645	782,604
	99,939	4,033,198	366,079	236,416	4,750	4,720,363	406,044	721,842	7,325	506,570	11,681,579

31 Dec 2014 (Restated) RM'000											
Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit Card-i	Revolving credit	Total
Agricultural, hunting, forestry and fishing	2,723	-	-	6,246	-	255,443	-	1,927	-	-	266,339
Mining and quarrying	1,273	-	-	8,940	-	1,638	-	-	-	155,944	167,795
Manufacturing	24,854	-	-	109,054	-	572,984	192,674	297,090	-	36,456	1,233,112
Electricity, gas and water	978	-	-	-	-	60,250	-	12,962	-	2,000	76,190
Construction	9,887	-	-	14,931	-	559,548	2,990	32,981	-	82,260	702,597
Real estate	439	-	-	-	-	190,587	-	-	-	47,000	238,026
Wholesale & retail trade and restaurants & hotels	13,104	-	-	30,968	-	202,890	159,241	246,113	-	141,049	793,365
Transport, storage and communication	5,694	-	-	20,760	-	170,224	599	3,165	-	13,000	213,442
Finance, takaful and business services	27,683	-	-	16,059	5,373	543,162	2,994	23,920	-	69,930	689,121
Household-retail	5,657	3,820,746	-	-	-	1,193,183	-	-	8,037	499,820	5,527,443
Others	916	-	-	27,572	-	841,465	93	1,100	-	70,600	941,746
	93,208	3,820,746	-	234,530	5,373	4,591,374	358,591	619,258	8,037	499,820	10,849,176

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

(f) Risk management policies (Cont'd)

3) Credit risk (Cont'd)

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

		30 June 2015 RM'000						
	Cash line-i	House financing	Hire purchase receivables	Other term financing	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Total
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-	-
Manufacturing	398	-	1,518	2,202	-	-	-	4,118
Electricity, gas and water	-	-	-	-	-	-	-	-
Construction	182	-	-	2	-	-	-	184
Real estate	-	-	-	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	-	-	1,714	773	34	-	-	2,521
Transport, storage and communication	644	-	3,949	870	-	-	-	5,463
Finance, takaful and business services	3,610	-	802	1,899	1,203	-	-	7,514
Household-retail	3	75,461	-	70,192	-	30	13,096	158,782
Others	-	-	-	-	-	-	-	-
	4,837	75,461	7,983	75,938	1,237	30	13,096	178,582

		31 Dec 2014 RM'000						
	Cash line-i	House financing	Hire purchase receivables	Other term financing	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Total
Manufacturing	6	-	5,465	7,518	603	-	-	13,592
Electricity, gas and water	-	-	-	3	-	-	-	3
Construction	171	-	-	611	-	-	-	782
Real estate	-	-	-	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	-	-	1,356	768	817	-	-	2,941
Transport, storage and communication	675	-	4,124	871	-	-	-	5,670
Finance, takaful and business services	-	-	623	2	-	-	-	625
Household-retail	-	55,907	-	67,960	-	-	14,150	138,017
Others	-	-	191	406	-	-	-	597
	852	55,907	11,759	78,139	1,420	-	14,150	162,227

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

3) Credit Risk (Cont'd)

Table 6: All past due financing and advances breakdown by sector *	30 June 2015	31 Dec 2014
	RM'000	RM'000
Manufacturing	30,668	72,022
Electricity, gas and water	-	16
Construction	1,370	4,144
Wholesale & retail trade and restaurants & hotels	18,775	15,584
Transport, storage and communication	40,685	30,044
Finance, takaful and business services	55,959	3,312
Household-retail	1,182,496	731,327
Others	-	3,163
	1,329,953	859,612

Table 7: All past due financing and advances breakdown by geographical location*	30 June 2015	31 Dec 2014
	RM'000	RM'000
Northern region	227,195	179,439
Southern region	169,404	112,573
Central region	867,215	519,179
Eastern region	66,139	48,421
	1,329,953	859,612

* of which the portion of impaired financing and advances breakdown by sector and geographical location is disclosed in Note 13(v) and 14 (vi) of the unaudited condensed interim financial statements at 30 June 2015.

Table 8: Individual impairment allowance breakdown by sector	30 June 2015	31 Dec 2014
	RM'000	RM'000
Manufacturing	1,959	5,360
Construction	122	342
Wholesale & retail trade and restaurants & hotels	405	1,122
Transport, storage and communication	4,058	4,486
Finance, takaful and business services	575	69
Household-retail	35,547	32,442
	42,666	43,821

Table 8a: Collective impairment allowance breakdown by sector	30 June 2015	31 Dec 2014
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	6,497	3,127
Mining and quarrying	2,894	1,970
Manufacturing	12,246	14,413
Electricity, gas and water	654	894
Construction	6,055	8,244
Real estate	2,748	2,794
Wholesale & retail trade and restaurants & hotels	8,901	9,300
Transport, storage and communication	2,390	2,453
Finance, takaful and business services	11,381	8,089
Household-retail	60,289	64,508
Others	8,222	9,025
	122,277	124,817

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

3) Credit Risk (Cont'd)

Table 9: Individual impairment allowance breakdown by geographical location

	<u>30 June 2015</u>	<u>31 Dec 2014</u>
	RM'000	RM'000
Northern region	296	4,037
Southern region	265	737
Central region	37,466	34,205
Eastern region	4,639	4,842
	<u>42,666</u>	<u>43,821</u>

Table 9a: Collective impairment allowance breakdown by geographical location

	<u>30 June 2015</u>	<u>31 Dec 2014</u>
	RM'000	RM'000
Northern region	13,882	16,022
Southern region	16,721	17,947
Central region	86,919	85,247
Eastern region	4,755	5,601
	<u>122,277</u>	<u>124,817</u>

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

	<u>30 June 2015</u>	<u>30 June 2014</u>
	RM'000	RM'000
		(Restated)
Manufacturing	1,883	13,330
Construction	-	485
Wholesale & retail trade and restaurants & hotels	446	21
Transport, storage and communication	2,123	17
Finance, takaful and business services	368	-
Household-retail	9,124	6,890
	<u>13,944</u>	<u>20,743</u>

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

	<u>30 June 2015</u>	<u>30 June 2014</u>
	RM'000	RM'000
Manufacturing	338	-
Construction	5	-
Wholesale & retail trade and restaurants & hotels	724	2,627
Finance, takaful and business services	-	9
Household-retail	2,272	1,807
	<u>3,339</u>	<u>4,443</u>

The reconciliation of changes in loan/financing impairment provisions is disclosed in Note 14(ii) of the unaudited condensed interim financial statements at 30 June 2015.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (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 Bank as part of the determination of risk weightings for the following classes of exposure:

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

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

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

Data files of external ratings from the nominated ECAIs are matched with the customer records in the Bank'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 BNM's prescribed risk weights and rating categories. All other exposure classes are assigned risk weightings as prescribed in BNM Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

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

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

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

Risk Weights Based on Credit Rating of the Counterparty Exposure Class						
Rating Category	Long Term Rating					Short Term Rating
	Sovereigns and Central Banks	Corporates	Banking Institutions			
			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

* External credit assessments produced by R&I on Islamic debt securities are not recognised by BNM in determining the risk weights for exposures as prescribed in BNM Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

Risk weights under the Standardised Approach at the reporting date are reflected in page 3 and 4. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

30 June 2015

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	-	1,732,604	-	-	-	-	-	1,732,604
PSEs								
- Exposures risk-weighted using ratings of Corporates	-	39,167	77,170	-	-	-	-	116,337
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	310,026	146,728	32,343	2,516	923	-	-	492,536
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	5,029	-	-	-	-	-	5,029
- Exposures risk-weighted using ratings of Corporates	586,190	85,546	619,468	-	-	-	-	1,291,204
	896,216	2,009,074	728,981	2,516	923	-	-	3,637,710
(ii) Total unrated exposures								
							12,758,104	12,758,104
Total Long Term Exposure	896,216	2,009,074	728,981	2,516	923	-	12,758,104	16,395,814

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

30 June 2015
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	-	4,568,418	-	-		4,568,418
PSEs						
- Exposures risk-weighted using ratings of Corporates	-	94,000	-	-		94,000
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	160,636	2,952	198,986	248		362,822
Corporates						
- Exposures risk-weighted using ratings of Corporates	179,157	-	-	-		179,157
	339,793	4,665,370	198,986	248	-	5,204,397
(ii) Total unrated exposures						
					-	-
Total Short Term Exposures	339,793	4,665,370	198,986	248	-	5,204,397
Total Long Term and Short Term Exposures:						21,600,211

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2014
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	-	3,918,936	-	-	-	-	-	3,918,936
PSEs								
- Exposures risk-weighted using ratings of Corporates	-	39,832	28,671	-	-	-	-	68,503
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	419,062	101,235	233	-	-	-	-	520,530
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	3,786	-	-	-	-	-	3,786
- Exposures risk-weighted using ratings of Corporates	461,588	84,425	107,328	-	-	-	-	653,341
	880,650	4,148,214	136,232	-	-	-	-	5,165,096
(ii) Total unrated exposures							12,749,066	12,749,066
Total Long Term Exposures	880,650	4,148,214	136,232	-	-	-	12,749,066	17,914,162

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2014

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	-	983,748	-	-		983,748
PSEs						
- Exposures risk-weighted using ratings of Corporates	-	30,000	-	-		30,000
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	75,013	149,061	184,678	153		408,905
Corporates						
- Exposures risk-weighted using ratings of Corporates	185,591	-	-	-		185,591
	260,604	1,162,809	184,678	153	-	1,608,244
(ii) Total unrated exposures						
					-	-
Total Short Term Exposures	260,604	1,162,809	184,678	153	-	1,608,244
Total Long Term and Short Term Exposures						19,522,406

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

3) Credit Risk (Cont'd)

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 Bank's policy when granting credit facilities is on the basis of the customer's capacity to pay, 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 and in the Bank, takes many forms.

The Bank'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 fulfill their intended purpose.

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

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, e.g. where the Bank 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 Bank's securities financing business; 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 treasury transactions 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 Bank'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 Bank's policy prescribes valuation at intervals of up to two 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 customer / charger on the grounds that the correct valuation was not applied.

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

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

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

30 June 2015

RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
<u>Credit Risk</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	6,305,576	-	-
PSEs	396,788	-	-
Banks, DFIs & MDBs	292,755	-	2,441
Corporates	4,711,343	68,179	101,867
Regulatory Retail	2,110,036	6,800	23,932
House Financing	4,036,599	-	2,774
Other Assets	113,503	-	-
Defaulted Exposures	127,722	2,422	4,408
Total for On-Balance Sheet Exposures	18,094,322	77,401	135,422
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	510,957	-	255,350
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,987,673	11,539	58,153
Defaulted Exposures	7,259	-	662
Total for Off-Balance Sheet Exposures	3,505,889	11,539	314,165
Total On and Off-Balance Sheet Exposures	21,600,211	88,940	449,587

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

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2014

RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
<u>Credit Risk</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	4,907,238	-	-
PSEs	376,507	-	-
Banks, DFIs & MDBs	648,413	-	-
Corporates	4,159,640	87,220	62,643
Regulatory Retail	2,067,856	5,442	29,655
House Financing	3,841,506	-	2,769
Other Assets	207,668	-	-
Defaulted Exposures	105,079	1,899	958
Total for On-Balance Sheet Exposures	16,313,907	94,561	96,025
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	452,768	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,749,459	26,713	57,856
Defaulted Exposures	6,272	-	95
Total for Off-Balance Sheet Exposures	3,208,499	26,713	57,951
Total On and Off-Balance Sheet Exposures	19,522,406	121,274	153,976

Refer to Note 30 and Note 31 to the unaudited condensed interim financial statements at 30 June 2015 for disclosure of counterparty credit risk and disclosure of off-balance sheet respectively.

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

4) Rate of return risk

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

RM'000	At 30 Jun 2015	Average	Maximum	Minimum
Foreign currency risk	68	39	183	7
Profit rate risk	156	225	358	32
Credit spread risk	0	0	0	0
Overall	181	226	367	33

RM'000	At 31 Dec 2014	Average	Maximum	Minimum
Foreign currency risk	74	56	187	7
Profit rate risk	34	39	108	18
Credit spread risk	0	0	0	0
Overall	60	68	203	22

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

Sensitivity of projected Net Finance Income

Change in projected net finance income in next 12 months arising from a shift in profit rates of:	30 Jun 2015 RM'000	31 Dec 2014 RM'000
+100 basis points parallel shift in yield curves	45,189	16,938
-100 basis points parallel shift in yield curves	(41,055)	(14,068)
+25 basis points at the beginning of each quarter	31,475	13,038
-25 basis points at the beginning of each quarter	(30,451)	(12,815)

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

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

RM'000	30 Jun 2015	31 Dec 2014
+100 basis points parallel shift in yield curves	(31,529)	(34,937)
-100 basis points parallel shift in yield curves	31,529	34,937

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

RM'000	30 Jun 2015	31 Dec 2014
+200 basis points parallel shift in yield curves	(33,740)	(55,607)
-200 basis points parallel shift in yield curves	59,464	74,858

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

5) Classification and Impairment Provisions for Loans/Financing

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

Affected tables under Risk Management Policies - 3) Credit Risk, pertaining to the revised guidelines are as below:

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

6) Restatement of comparative figures

The presentation and reclassification of items in the current Pillar 3 Disclosure are consistent with the previous financial year, except those balances within the tables below under Risk Management Policies - 3) Credit Risk:

- Table 1: Geographical distribution of financing breakdown by type.
- Table 2: Geographical distribution of impaired financing breakdown by type.
- Table 3: Residual contractual maturity of financing breakdown by type.

The restatement of 31 December 2014 financial data within Pillar 3 Disclosure is consistent with that presented in the audited financial statements for 31 December 2014, and is a result of an initiative rolled out by the Bank in Q1 2015 to align financial reporting data with Central Credit Reference Information System data. Similar reclassification is made to the 31 December 2014 data so that they are comparable to 30 June 2015 data.

Please refer to the Bank's Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure as at 31 December 2014 for the comparative figures prior to restatement.

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

4) Rate of return risk

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

RM'000	At 30 Jun 2015	Average	Maximum	Minimum
Foreign currency risk	68	39	183	7
Profit rate risk	156	225	358	32
Credit spread risk	0	0	0	0
Overall	181	226	367	33

RM'000	At 31 Dec 2014	Average	Maximum	Minimum
Foreign currency risk	74	56	187	7
Profit rate risk	34	39	108	18
Credit spread risk	0	0	0	0
Overall	60	68	203	22

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

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

	RM'000			
	30 Jun 2015		31 Dec 2014	
Basis point parallel shift in yield curves	+ 100	- 100	+ 100	- 100
MYR	100,000	(110,000)	100,000	(110,000)
USD	200,000	(210,000)	200,000	(210,000)
Others	300,000	(300,000)	300,000	(300,000)
	600,000	(620,000)	600,000	(620,000)

	RM'000			
	30 Jun 2015		31 Dec 2014	
Basis point parallel shift in yield curves	+ 25	- 25	+ 25	- 25
MYR	10,000	(11,000)	10,000	(11,000)
USD	20,000	(21,000)	20,000	(21,000)
Others	30,000	(30,000)	30,000	(30,000)
	60,000	(62,000)	60,000	(62,000)

The increase or decline in economic value for upward and downward rate shocks for measuring profit 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 profit rates of :

	RM'000			
	30 Jun 2015		31 Dec 2014	
Basis point parallel shift in yield curves	+ 200	- 200	+ 200	- 200
MYR	10,000	(11,000)	10,000	(11,000)
USD	20,000	(21,000)	20,000	(21,000)
Others	30,000	(30,000)	30,000	(30,000)
	60,000	(62,000)	60,000	(62,000)

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

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

	RM'000			
	30 Jun 2015		31 Dec 2014	
Basis point parallel shift in yield curves	+ 100	- 100	+ 100	- 100
MYR	(31,529)	31,529	(34,937)	34,937

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

5) Classification and Impairment Provisions for Loans/Financing

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

Affected tables under Risk Management Policies - 3) Credit Risk, pertaining to the revised guidelines are as below:

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

6) Restatement of comparative figures

The presentation and reclassification of items in the current Pillar 3 Disclosure are consistent with the previous financial year, except those balances within the tables below under Risk Management Policies - 3) Credit Risk:

- Table 1: Geographical distribution of financing breakdown by type.
- Table 2: Geographical distribution of impaired financing breakdown by type.
- Table 3: Residual contractual maturity of financing breakdown by type.

The restatement of 31 December 2014 financial data within Pillar 3 Disclosure is consistent with that presented in the audited financial statements for 31 December 2014, and is a result of an initiative rolled out by the Bank in Q1 2015 to align financial

Please refer to the Bank's Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure as at 31 December 2014 for the comparative figures prior to restatement.

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

7) Shariah Governance

Overview

Shariah compliance is a cornerstone of Islamic banking and finance industry. An effective Shariah governance policy enhances the diligent oversight of the Board Of Directors, the Shariah Committee and the Management to ensure that the operations and business activities of the Bank remains consistent with Shariah principles and its requirements.

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

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

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

a. Board of Directors

To be ultimately accountable for the overall Shariah governance framework and Shariah compliance of the Bank.

b. Shariah Committee

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

c. CEO and Management

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

d. Shariah Audit

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

e. Shariah Risk Management

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

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 Interim Disclosures (Cont'd)

7) Shariah Governance (Cont'd)

f. Shariah Department

i) Shariah Review

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

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

ii) Shariah Advisory

To provide day-to-day Shariah advice and consultancy to relevant parties, including those involved in the product development process as well as the supporting functions.

iii) Shariah Research

To conduct in-depth research and studies on Shariah issues.

iv) Shariah Secretariat

To coordinate meetings, compile proposal papers, prepare and keep accurate record of minutes of the decisions and resolutions made by the Shariah Committee, disseminate Shariah decisions to relevant stakeholders and engage with relevant parties who wish to seek further deliberations from the Shariah Committee.

v) Knowledge and Skills Monitoring

To monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of the Bank's products.

Quantitative Disclosure

a. Shariah Non-Compliance Events:

During the financial period ending 30 June 2015, no actual Shariah non-compliance events have been identified.

b. Shariah Non-Compliance Income:

During the financial period ending 30 June 2015 the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

(i) The amount of MYR 165,388 in the Account was carried forward from 2014 to 2015.

(ii) Income from inadvertent Shariah non-compliant activities identified by the Bank's management amounting to MYR 12,375 in 2015 has been reversed to the Account.

(iii) The amount of MYR50,000 in the Account was donated to National Kidney Foundation Malaysia. The balance of MYR127,763 in the Account is pending distribution in the second half of 2015.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial period ended 30 June 2015.