PILLAR 3 DISCLOSURE
As at 31 December 2016

Overview

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks ("CAFIB"), which is the equivalent to Basel II issued by the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that Islamic banks must hold against credit, market and operational risks they assume;

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages Islamic banks to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors and senior management on internal controls and corporate governance practices, to ensure that Islamic banks maintain adequate capital levels consistent with their risk profile and business plan at all times; and

(c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of Islamic banks through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of Islamic banks that will enhance comparability amongst Islamic banks.

Public Islamic Bank Berhad ("the Bank") adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM's CAFIB. Under the Standardised Approach, the Bank applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Bank's average gross income for a fixed number of quarterly periods.

The Bank's Pillar 3 Disclosure is governed by the Public Bank Group ("the Group")'s Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework/Capital Adequacy Framework for Islamic Banks - Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by the Bank’s Chief Executive Officer. Under the BNM's CAFIB, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicislamicbank.com.my

Overview (Cont'd.)

Minimum Regulatory Capital Requirements

The Bank's principal business activity is Islamic banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	2016		2015	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	**29,000,132**	**2,320,011**	24,611,954	1,968,956
Market Risk	**40,861**	**3,269**	85,600	6,848
Operational Risk	**1,608,488**	**128,679**	1,549,041	123,923
Total	**30,649,481**	**2,451,959**	26,246,595	2,099,727

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's CAFIB.

PUBLIC ISLAMIC BANK BERHAD (14328-V)

Table of Contents

Contents		**Page Number**

PUBLIC ISLAMIC BANK BERHAD (14328-V)

1. Scope of Application

The Pillar 3 Disclosure provided in this document is in respect of the Bank, which is involved in Islamic banking financial services and all the activities are mainly denominated in Ringgit Malaysia.

There were no restrictions or impediments on the transfer of funds or regulatory capital between the Bank and its holding company, Public Bank Berhad ("PBB").

There were no capital deficiencies in the Bank during the financial year.

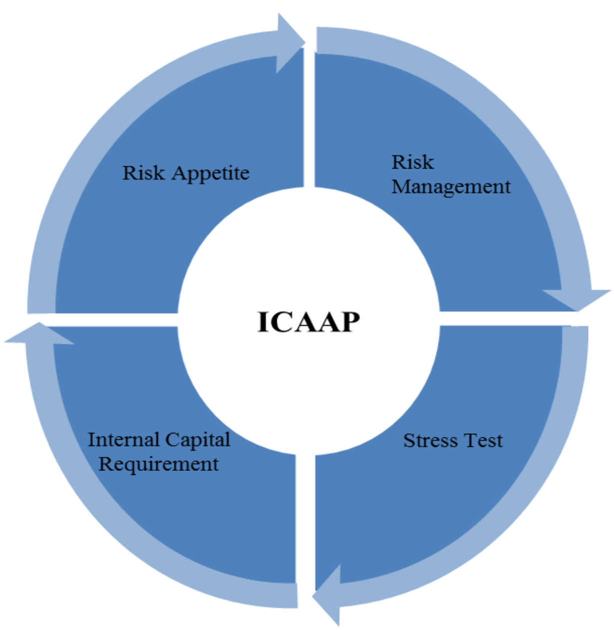
2. Capital Management

The objective of the Bank’s capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board’s approval on the level and composition of the Bank’s capital base, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

The Bank achieves this through the Internal Capital Adequacy Assessment Process (“ICAAP”). The ICAAP requires the Bank to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

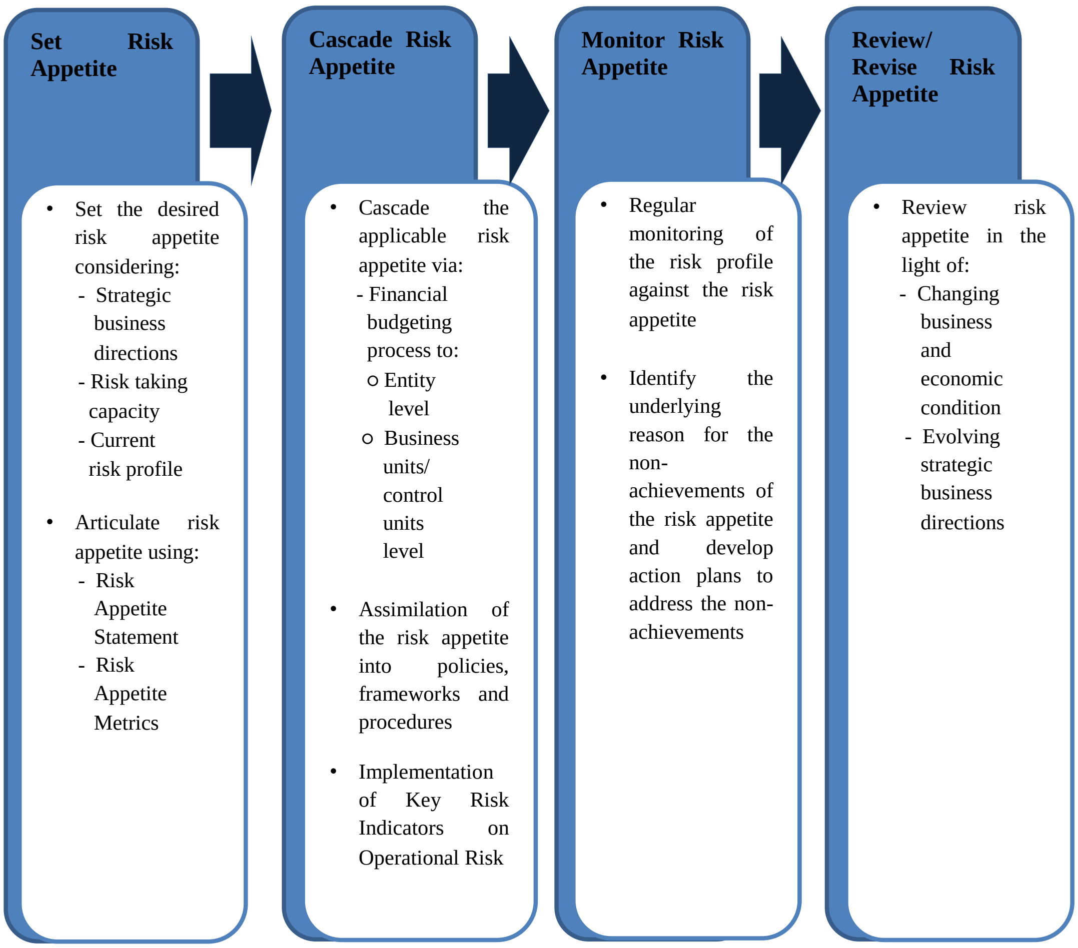
The key elements of the ICAAP are as follows:



2. Capital Management (Cont'd.)

(a) Risk Appetite

The Bank’s Risk Appetite expresses the level of risk which the Bank is willing to assume within the Bank’s capacity in order to achieve the Bank’s objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Bank's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Bank. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the strategic directions, business and regulatory environment and stakeholders’ requirements. The setting, cascading, monitoring and the review of the Risk Appetite is set out in the Group Risk Appetite Framework and is as follows:



2. Capital Management (Cont'd.)

(b) Risk Management

The Group Risk Management Framework sets out the principles applied in managing the material risks that the Bank is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this include the continuous identification of emerging risks followed by the assessment of the risks on the Bank's business and capital positions. The Bank's risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite.

The Bank operates on seven fundamental principles and this is further discussed on item 3 of the Pillar 3 Disclosure.

In addition, an annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

(i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);
(ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and
(iii) Risks not specifically addressed under Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

Compile a Comprehensive List of Risks Relevant to Banking Business

To obtain a comprehensive list of risks inherent to banking business guided by the guidelines issued by:
- BNM or respective Regulators
- Basel Committee and other banking committees

Identify Risks that are Applicable to the Group

From the comprehensive list of risks, identify the risks that are applicable to the Group/respective entities taking into consideration the current risk taking activities of the Group/respective entities

Assess the Applicable Risks

For risks that are identified to be applicable to the Group/the respective entities, ensure the risk assessments are supported by the following:
- Consistent and robust risk assessment approaches
- Quality data used for risk measurement
- Sound techniques and methodologies that commensurate with the entities' size, nature of business and complexity of activities

All assessments of risks incorporate both quantitative and/or qualitative assessment.

Qualitative Approach	Quantitative Approach
Risks which may not be easily quantified due to lack of commonly accepted risk measurement techniques. The focus for such non-quantifiable risks would then be the risk processes put in place to manage these risks including the following: ● An effective risk governance process ● Effective procedures and internal controls ● Effective risk mitigation strategies ● Regular monitoring and reporting	Risks which can be quantified based on best practices methodologies which are prescribed by regulators or internal methodologies, capital will be set aside for the amount of quantified risks.

2. Capital Management (Cont'd.)

(c) Stress Test

The Bank’s stress testing process is guided by the Group's Stress Test Policy (“Stress Test Policy”). The objectives of the Stress Test Policy are as follows:

(i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;

(ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and take into account the nature, risk profile and complexity of the business as well as the environment in which it operates;

(iii) To ensure all material risks are captured in the stress test including emerging risks;

(iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and relevant committees prior to the execution of the stress test exercise; and

(v) To ensure loss outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Bank’s capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Bank’s Internal Capital Targets.

(d) Internal Capital Requirement

The Bank’s internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Bank's strategic directions and business plans. In formulating the Bank’s capital plans, the Bank considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Bank’s capital plans are reviewed regularly by the Board against the Bank’s Internal Capital Targets.

3. Risk Management Framework

As approved by BNM, the risk management functions of the Bank are undertaken by its holding company, PBB and is governed by the Group's Risk Management Framework.

The key elements of the Group's Risk Management Framework are as follows:

(a) Risk Governance
(b) Risk Appetite
(c) Risk Management Processes
(d) Risk Culture

(a) Risk Governance

The Group’s risk governance sets out the respective parties’ roles and responsibilities for the Group’s risk management and system of internal control based on the following seven fundamental principles which outline the principal risk management and control responsibilities:

<table>
<tr><td rowspan="2">ESTABLISH RISK APPETITE & POLICIES</td><td>Board of Directors</td><td rowspan="9">COMPLIANCE COMMITTEE</td><td rowspan="9">AUDIT COMMITTEE</td></tr>
<tr><td>Risk Management Committee</td></tr>
<tr><td rowspan="5">ENSURE IMPLEMENTATION OF RISK POLICIES AND COMPLIANCE</td><td>Dedicated Risk Committees</td></tr>
<tr><td>Assets & Liabilities Management Committee
Credit Risk Management Committee
Operational Risk Management Committee</td></tr>
<tr><td>Shariah Committee</td></tr>
<tr><td>Independent Risk Management and Control Units</td></tr>
<tr><td>Banking Operations
Credit Control, Administration and Supervision
Risk Management
Compliance</td></tr>
<tr><td rowspan="2">IMPLEMENT AND COMPLY WITH RISK POLICIES</td><td>Business Units</td></tr>
<tr><td>Corporate Lending
Investment Banking
Islamic Banking
Retail Banking and Financing Operations
Share Broking and Fund Management
Treasury and Capital Market Operations</td></tr>
</table>

Board of Directors

The Board has overall responsibility for the Group’s risk management and internal control system and for reviewing its adequacy and effectiveness. The Board, through the RMC, maintains overall responsibility for risk oversight within the Group.

Risk Management Committee

The RMC is to assist the Board to oversee the management of all identified material risks including inter-alia reviewing risk management policies and frameworks, reviewing and approving risk management limits, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management oversight. The RMC assists the Board in overseeing the effectiveness of the Group’s ICAAP and reviewing the risk policies and frameworks relating to ICAAP.

In discharging its responsibilities, the RMC will ensure the corporate objectives are supported by sound risk management strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group’s activities and to provide effective oversight to ensure business activities are aligned to the risk strategy, risk appetite and policies approved by the Board.

3. Risk Management Framework (Cont'd.)

(a) Risk Governance (Cont'd.)

Dedicated Risk Committees

The dedicated risk committees established to assist the RMC in the management of all identified material risks are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC") and the Operational Risk Management Committee ("ORMC") respectively. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place to manage and control the Group’s risk taking activities. The key responsibilities of the dedicated risk committees are as follows:

(i) Ensuring all relevant and material risks associated with the Group have been identified and assessed and are operating within the Group’s risk appetite;

(ii) Designing, implementing and monitoring the risk management and internal control system in accordance with the Group’s risk management strategies and overall risk appetite; and

(iii) Identifying changes in the operating environment which may give rise to risks or emerging risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board.

Shariah Committee

The key responsibilities of the Shariah Committee are to advise the Board on Shariah related matters on the Islamic operations and to deliberate and endorse Shariah related matters. The Shariah Committee is supported by the Shariah compliance and research functions.

Independent Risk Management and Control Units

The independent risk management and control units provide crucial support to the dedicated risk committees. These units have the right to obtain information necessary to carry out their responsibilities and to ensure the approved risk policies are effectively implemented and complied with. They are also responsible for the identification, measurement, monitoring and reporting of risk exposures.

Business Units

The business units, being the first line of defence against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

Compliance Committee

The Compliance Committee is responsible for the overall oversight on compliance related matters and is supported by the Compliance Division. It provides an independent assessment on the management of compliance risk, and ensures the controls to manage compliance risk are adequate and operating as intended.

As the Bank does not have dedicated Compliance Committee, the responsibilities of the Compliance Committee are assumed by the Bank's Audit Committee.

3. Risk Management Framework (Cont'd.)

(a) Risk Governance (Cont'd.)

Audit Committee

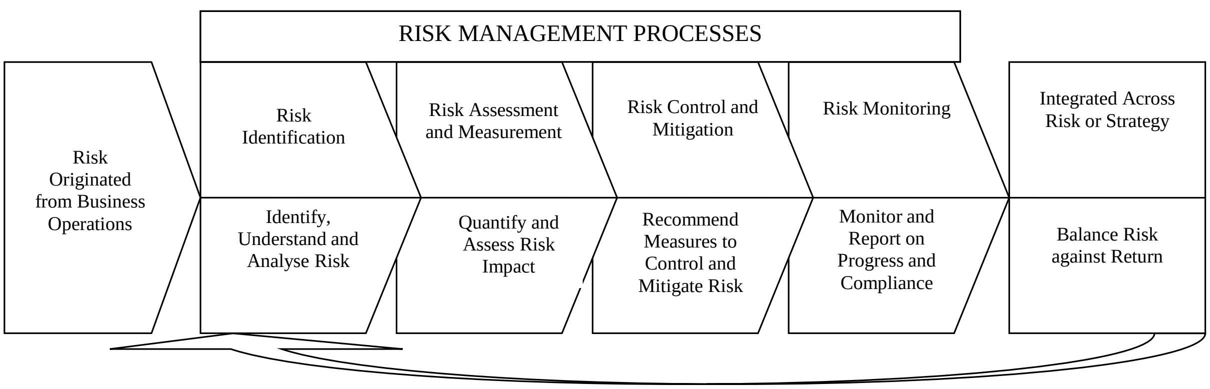
The Audit Committee reviews the internal control issues identified by the Internal Audit Division, the external auditors, the regulatory authorities and the Management, including the remedial actions taken to address issues identified, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions with particular emphasis on the audit scope, the frequency of audits and the adequacy and knowledge of the resources.

(b) Risk Appetite

Risk Appetite is a key component in our management of risk. It describes the amount and types of risks the Bank is able and willing to accept in pursuit of the Bank's business objectives. The Risk Appetite Statement including the measurable risk thresholds (collectively referred to as RAS) is approved by the Board on the advice of the RMC. The RAS is subject to annual review or more frequently in line with the changes in the risk environment.

(c) Risk Management Processes

A structured approach to risk management which balances risks against returns is established for the key areas of risk. The four broad processes for risk management which lead to a balanced risk-return framework are as follows:



(d) Risk Culture

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management framework. The key elements of the Bank's risk culture are as follows:

(i) Strong corporate governance
(ii) Organisational structure with clearly defined roles and responsibilities
(iii) Effective communication and training
(iv) Commitment to compliance with laws, regulations and internal controls
(v) Integrity in fiduciary responsibilities
(vi) Clear policies, procedures and guidelines

4. Capital Adequacy Ratios and Capital Structure

The following tables present the capital adequacy ratios and the capital structure.

(a) Capital Adequacy Ratios

	2016	2015
Before deducting interim dividends*:		
Common equity tier I ("CET I") capital ratio	**11.138%**	10.771%
Tier I capital ratio	**11.138%**	10.771%
Total capital ratio	**13.746%**	13.481%
After deducting interim dividends*:		
CET I capital ratio	**10.923%**	10.771%
Tier I capital ratio	**10.923%**	10.771%
Total capital ratio	**13.531%**	13.481%

* Refers to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios are computed in accordance with BNM's CAFIB (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015 which became effective from 1 January 2016. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

4. Capital Adequacy Ratios and Capital Structure (Cont'd.)

(b) Capital Structure

	2016 RM'000	2015 RM'000
CET I/Tier I capital		
Paid-up share capital	**219,217**	207,217
Share premium	**2,213,500**	1,925,500
Other reserves	**230,420**	241,685
Retained profits	**775,036**	462,736
Less: Deferred tax assets, net	**(4,242)**	-
Less: Defined benefit pension fund assets	**(2,279)**	(2,157)
Less: Investment in an associated company deducted from CET I capital	**(18,000)**	(8,000)
Total CET I/Tier I capital	**3,413,652**	2,826,981
Tier II capital		
Collective assessment allowance and regulatory reserves#	**311,939**	224,109
Subordinated sukuk murabahah	**499,374**	499,117
Less: Investment in an associated company deducted from Tier II capital	**(12,000)**	(12,000)
Total Tier II capital	**799,313**	711,226
Total capital	**4,212,965**	3,538,207

\# Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM138.5 million (2015: RM160.5 million).

Includes the qualifying regulatory reserves for non-impaired financing of RM148.8 million (2015: RM68.7 million).

The Bank has issued capital instrument which qualify as component of regulatory capital under the BNM's CAFIB (Capital Components), as summarised in the following table:

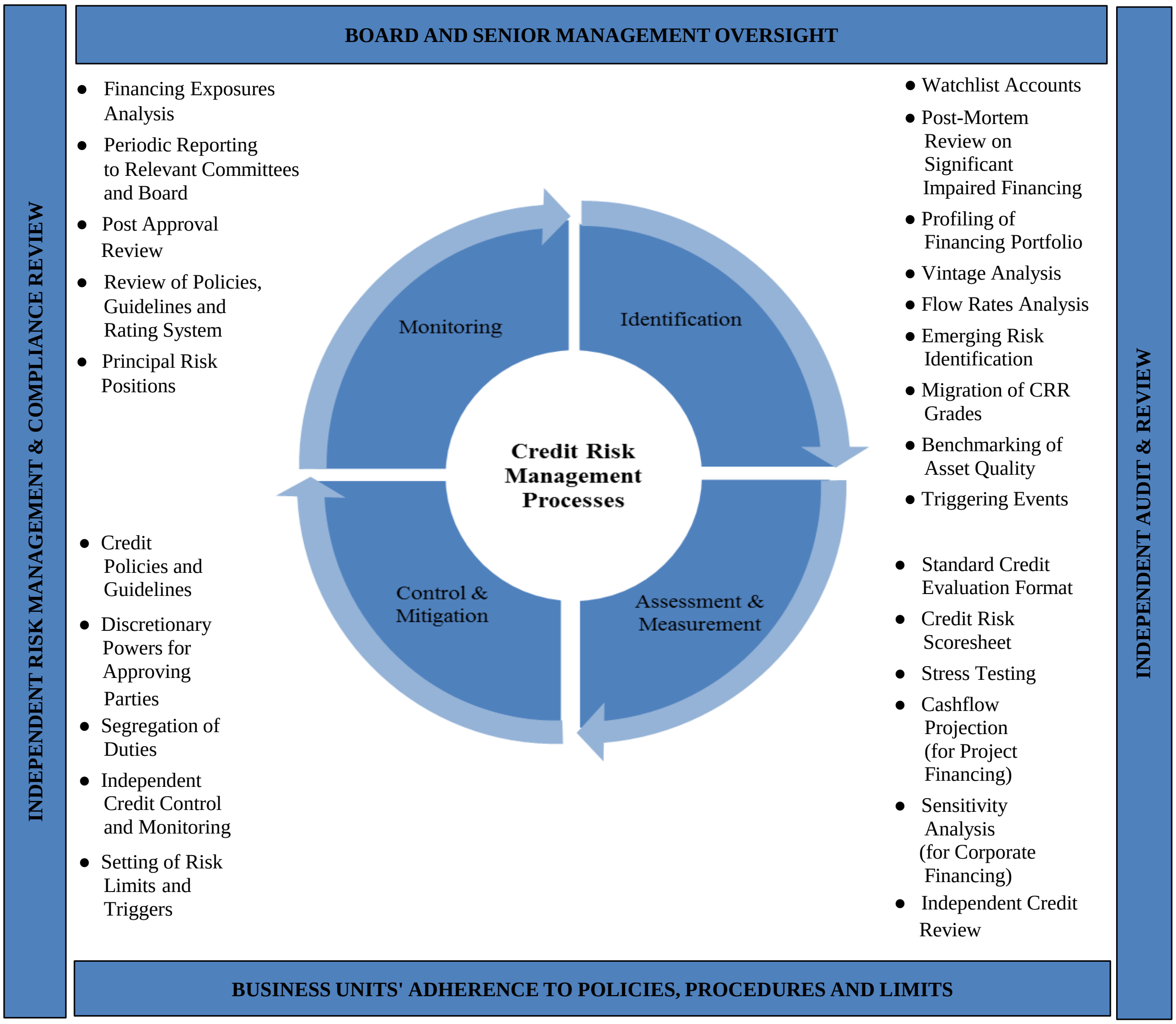
Capital Instrument	Capital Component	Main Features
(a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to IT-I and NIT-I • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Trigger Event at PBB/the Bank as determined by BNM and Malaysia Deposit Insurance Corporation, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off • The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instrument are found in Note 20 to the financial statements.

5. Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Bank's primary business is in Islamic banking, the Bank's exposure to credit risk is primarily from its financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Bank, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 39 to the financial statements.

PUBLIC ISLAMIC BANK BERHAD (14328-V)

5. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**10,432,689**	**10,432,689**	**-**	**-**
Public Sector Entities	**1,369,761**	**1,369,761**	**2,416**	**193**
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	**391,850**	**391,850**	**57,105**	**4,569**
Corporates	**5,224,828**	**5,172,360**	**4,791,632**	**383,331**
Regulatory Retail	**20,541,532**	**20,449,757**	**15,726,479**	**1,258,118**
Residential Mortgages	**10,637,208**	**10,625,697**	**5,037,689**	**403,015**
Higher Risk Assets	**1,936**	**1,933**	**2,899**	**232**
Other Assets	**89,785**	**89,785**	**84,106**	**6,728**
Equity Exposures	**497,836**	**497,836**	**497,836**	**39,827**
Defaulted Exposures	**226,977**	**226,867**	**321,808**	**25,745**
	49,414,402	**49,258,535**	**26,521,970**	**2,121,758**
Off-Balance Sheet Exposures				
Credit-related Exposures	**3,017,634**	**3,012,994**	**2,425,868**	**194,070**
Derivative Financial Instruments	**246,253**	**246,253**	**49,251**	**3,940**
Defaulted Exposures	**2,070**	**2,070**	**3,043**	**243**
	3,265,957	**3,261,317**	**2,478,162**	**198,253**
Total Credit Exposures	**52,680,359**	**52,519,852**	**29,000,132**	**2,320,011**

PUBLIC ISLAMIC BANK BERHAD (14328-V)

5. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	10,919,170	10,919,170	-	-
Public Sector Entities	1,372,240	1,372,240	2,911	233
Banks, DFIs and MDBs	670,215	670,215	112,780	9,022
Corporates	4,050,891	4,009,132	3,628,403	290,272
Regulatory Retail	19,169,039	19,104,335	14,671,210	1,173,697
Residential Mortgages	7,701,905	7,694,715	3,508,832	280,707
Higher Risk Assets	2,161	2,156	3,234	259
Other Assets	83,792	83,792	80,553	6,444
Equity Exposures	114,769	114,769	114,769	9,181
Defaulted Exposures	221,440	221,000	321,077	25,686
	44,305,622	44,191,524	22,443,769	1,795,501
Off-Balance Sheet Exposures				
Credit-related Exposures	2,649,170	2,644,168	2,100,164	168,013
Derivative Financial Instruments	327,219	327,219	65,443	5,236
Defaulted Exposures	1,730	1,730	2,578	206
	2,978,119	2,973,117	2,168,185	173,455
Total Credit Exposures	47,283,741	47,164,641	24,611,954	1,968,956

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures

Tables (a)-(b) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation as follows:

(a) Industrial analysis
(b) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exsposure to credit risk is the full amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

2016	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	360,176	291,206	-	-	-	-	-	-	651,382
Financial assets held-for-trading	-	495,364	-	-	-	-	-	-	495,364
Derivative financial assets	-	18,153	-	-	-	-	-	-	18,153
Financial investments available-for-sale	6,140,438	-	-	-	-	-	-	-	6,140,438
Financial investments held-to-maturity	2,469,818	278,069	141,984	95,395	-	-	-	-	2,985,266
Gross financing and advances	1,313,959	228,592	959,628	3,241,778	3,935,747	11,820,725	11,303,438	4,733,483	37,537,350
Statutory deposits with Bank Negara Malaysia	1,518,000	-	-	-	-	-	-	-	1,518,000
	11,802,391	1,311,384	1,101,612	3,337,173	3,935,747	11,820,725	11,303,438	4,733,483	49,345,953
Commitments and Contingencies									
Contingent liabilities	-	108	6,643	15,865	20,885	-	-	-	43,501
Commitments	-	2	230,157	1,186,568	1,374,219	2,988,829	44	1,068,796	6,848,615
	-	110	236,800	1,202,433	1,395,104	2,988,829	44	1,068,796	6,892,116
Total Credit Exposures	11,802,391	1,311,494	1,338,412	4,539,606	5,330,851	14,809,554	11,303,482	5,802,279	56,238,069

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

2015	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	2,658,023	567,126	-	-	-	-	-	-	3,225,149
Financial assets held-for-trading	-	1,588,380	-	-	-	-	-	-	1,588,380
Derivative financial assets	-	56,019	-	-	-	-	-	-	56,019
Financial investments available-for-sale	4,666,040	114,768	-	-	-	-	-	-	4,780,808
Financial investments held-to-maturity	2,226,351	278,061	141,985	95,395	-	-	-	-	2,741,792
Gross financing and advances	1,316,438	230,965	860,410	2,306,820	3,043,553	8,534,720	11,581,167	4,178,677	32,052,750
Statutory deposits with Bank Negara Malaysia	1,423,800	-	-	-	-	-	-	-	1,423,800
	12,290,652	2,835,319	1,002,395	2,402,215	3,043,553	8,534,720	11,581,167	4,178,677	45,868,698
Commitments and Contingencies									
Contingent liabilities	-	51,080	5,717	14,876	75,282	-	-	50	147,005
Commitments	-	694	196,374	873,465	1,439,467	2,401,931	1,221	804,606	5,717,758
	-	51,774	202,091	888,341	1,514,749	2,401,931	1,221	804,656	5,864,763
Total Credit Exposures	12,290,652	2,887,093	1,204,486	3,290,556	4,558,302	10,936,651	11,582,388	4,983,333	51,733,461

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures (Cont'd.)

(b) Maturity Analysis

	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2016					
On-Balance Sheet Exposures					
Cash and balances with banks	**651,382**	**-**	**-**	**-**	**651,382**
Financial assets held-for-trading	**495,364**	**-**	**-**	**-**	**495,364**
Derivative financial assets	**188**	**2,480**	**-**	**15,485**	**18,153**
Financial investments available-for-sale	**1,686,903**	**2,182,898**	**2,270,637**	**-**	**6,140,438**
Financial investments held-to-maturity	**-**	**2,005,891**	**979,375**	**-**	**2,985,266**
Gross financing and advances	**1,824,406**	**3,255,053**	**3,236,267**	**29,221,624**	**37,537,350**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**1,518,000**	**1,518,000**
Total On-Balance Sheet Exposures	**4,658,243**	**7,446,322**	**6,486,279**	**30,755,109**	**49,345,953**
2015					
On-Balance Sheet Exposures					
Cash and balances with banks	3,225,149	-	-	-	3,225,149
Financial assets held-for-trading	1,588,380	-	-	-	1,588,380
Derivative financial assets	-	1,840	6,397	47,782	56,019
Financial investments available-for-sale	1,538,905	2,833,963	293,172	114,768	4,780,808
Financial investments held-to-maturity	40,363	1,724,264	663,532	313,633	2,741,792
Gross financing and advances	1,502,816	2,726,624	3,591,140	24,232,170	32,052,750
Statutory deposits with Bank Negara Malaysia	-	-	-	1,423,800	1,423,800
Total On-Balance Sheet Exposures	7,895,613	7,286,691	4,554,241	26,132,153	45,868,698

Approximately 9% (2015: 17%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 78% (2015: 76%) of the Bank's gross financing and advances has residual maturity of more than 5 years. The longer maturity is from the hire purchase and house financing which made up 62% (2015: 64%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Bank expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(c) All the financial assets are located in Malaysia and therefore no analysis of credit exposures of financial assets by geographical distribution is disclosed.

5. Credit Risk (Cont'd.)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank are mainly from the following:

(i) Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as financing even though they are contingent in nature;

(ii) Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

(iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;

(iv) Unutilised credit card lines; and

(v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 39 to the financial statements.

5. Credit Risk (Cont'd.)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures. All derivative financial instruments are at their notional amounts.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2016				
Contingent Liabilities				
Direct credit substitutes	**12,953**		**12,953**	**9,882**
Transaction-related contingent items	**27,667**		**13,834**	**9,739**
Short term self-liquidating trade-related contingencies	**2,881**		**576**	**417**
	43,501		**27,363**	**20,038**
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	**5,408,727**		**2,704,364**	**2,174,813**
- not exceeding one year	**1,400,097**		**280,019**	**228,091**
Unutilised credit card lines	**39,791**		**7,958**	**5,969**
	6,848,615		**2,992,341**	**2,408,873**
Derivative Financial Instruments				
Profit rate related contracts:				
- less than one year	**200,000**	**188**	**387**	**78**
- one year to less than five years	**1,630,000**	**2,480**	**30,380**	**6,076**
- five years and above	**2,500,000**	**15,485**	**215,486**	**43,097**
	4,330,000	**18,153**	**246,253**	**49,251**
Total Off-Balance Sheet Exposures	**11,222,116**	**18,153**	**3,265,957**	**2,478,162**
2015				
Contingent Liabilities				
Direct credit substitutes	121,056		121,056	59,287
Transaction-related contingent items	22,297		11,149	6,896
Short term self-liquidating trade-related contingencies	3,652		730	588
	147,005		132,935	66,771
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	4,581,376		2,290,688	1,848,183
- not exceeding one year	1,111,758		222,352	184,094
Unutilised credit card lines	24,624		4,925	3,694
	5,717,758		2,517,965	2,035,971
Derivative Financial Instruments				
Profit rate related contracts:				
- one year to less than five years	1,830,000	8,237	54,437	10,887
- five years and above	2,500,000	47,782	272,782	54,556
	4,330,000	56,019	327,219	65,443
Total Off-Balance Sheet Exposures	10,194,763	56,019	2,978,119	2,168,185

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of payment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

(a) for residential mortgages - charges over residential properties
(b) for commercial property financing - charges over the properties being financed
(c) for motor vehicle financing - ownership claims over the vehicles financed
(d) for other financing - charges over business assets such as premises, inventories, trade receivables or deposits

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be covered at all times against major risks, for instance, against fire, with the Bank as the loss payee under the takaful policy. In addition, customers are generally covered against major risks, such as, death and permanent disability.

The Bank also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Bank i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**10,432,689**	**-**	**-**	**-**
Public Sector Entities	**1,369,761**	**1,357,681**	**-**	**-**
Banks, DFIs and MDBs	**391,850**	**106,323**	**-**	**-**
Corporates	**5,224,828**	**267,141**	**52,468**	**-**
Regulatory Retail	**20,541,532**	**-**	**91,775**	**-**
Residential Mortgages	**10,637,208**	**-**	**11,511**	**-**
Higher Risk Assets	**1,936**	**-**	**3**	**-**
Other Assets	**89,785**	**-**	**-**	**-**
Equity Exposures	**497,836**	**-**	**-**	**-**
Defaulted Exposures	**226,977**	**-**	**110**	**-**
	49,414,402	**1,731,145**	**155,867**	**-**
Off-Balance Sheet Exposures				
Credit-related Exposures	**3,017,634**	**-**	**4,640**	**-**
Derivative Financial Instruments	**246,253**	**-**	**-**	**-**
Defaulted Exposures	**2,070**	**-**	**-**	**-**
	3,265,957	**-**	**4,640**	**-**
Total Credit Exposures	**52,680,359**	**1,731,145**	**160,507**	**-**

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	10,919,170	-	-	-
Public Sector Entities	1,372,240	1,357,684	-	-
Banks, DFIs and MDBs	670,215	106,316	-	-
Corporates	4,050,891	267,141	41,759	-
Regulatory Retail	19,169,039	-	64,704	-
Residential Mortgages	7,701,905	-	7,190	-
Higher Risk Assets	2,161	-	5	-
Other Assets	83,792	-	-	-
Equity Exposures	114,769	-	-	-
Defaulted Exposures	221,440	-	440	-
	44,305,622	1,731,141	114,098	-
Off-Balance Sheet Exposures				
Credit-related Exposures	2,649,170	74,064	5,002	-
Derivative Financial Instruments	327,219	-	-	-
Defaulted Exposures	1,730	-	-	-
	2,978,119	74,064	5,002	-
Total Credit Exposures	47,283,741	1,805,205	119,100	-

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the CAFIB:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Service ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) RAM Rating Services Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and Central Banks
(b) Banking Institutions
(c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAFIB. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

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

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The Bank uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
			Banking Institutions	
	Sovereigns and Central Banks	Corporates	For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures before the effect of credit risk mitigation by credit quality rating categories.

	Rating Categories							
Exposure Class	**1 RM'000**	**2 RM'000**	**3 RM'000**	**4 RM'000**	**5 RM'000**	**6 RM'000**	**Unrated RM'000**	**Total RM'000**
2016								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	141,985	-	-	-	-	-		141,985
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	10,432,688	-	-	-	-		10,432,688
- Public Sector Entities	-	1,357,681	-	-	-	-		1,357,681
- Banks, DFIs and MDBs	-	106,323	-	-	-	-		106,323
- Corporates	-	267,141	-	-	-	-		267,141
	-	12,163,833	-	-	-	-		12,163,833
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	217,013	-	-	-	-		217,013
Total Rated Exposures	141,985	12,380,846	-	-	-	-		12,522,831
(b) Total Unrated Exposures							36,891,571	36,891,571
	141,985	12,380,846	-	-	-	-	36,891,571	49,414,402
Off-Balance Sheet Exposures								
(a) Rated Exposures								
Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	246,253	-	-	-	-	-		246,253
Total Rated Exposures	246,253	-	-	-	-	-		246,253
(b) Total Unrated Exposures							3,019,704	3,019,704
	246,253	-	-	-	-	-	3,019,704	3,265,957
Total Credit Exposures before Credit Risk Mitigation	388,238	12,380,846	-	-	-	-	39,911,275	52,680,359

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

	Rating Categories							
Exposure Class	**1 RM'000**	**2 RM'000**	**3 RM'000**	**4 RM'000**	**5 RM'000**	**6 RM'000**	**Unrated RM'000**	**Total RM'000**
2015								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	141,985	-	-	-	-	-		141,985
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	10,919,170	-	-	-	-		10,919,170
- Public Sector Entities	-	1,357,684	-	-	-	-		1,357,684
- Banks, DFIs and MDBs	-	106,316	-	-	-	-		106,316
- Corporates	-	267,141	-	-	-	-		267,141
	-	12,650,311	-	-	-	-		12,650,311
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	487,457	-	-	-	-		487,457
Total Rated Exposures	141,985	13,137,768	-	-	-	-		13,279,753
(b) Total Unrated Exposures							31,025,869	31,025,869
	141,985	13,137,768	-	-	-	-	31,025,869	44,305,622
Off-Balance Sheet Exposures								
(a) Rated Exposures								
Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	327,219	-	-	-	-	-		327,219
- Corporates	74,064	-	-	-	-	-		74,064
	401,283	-	-	-	-	-		401,283
Total Rated Exposures	401,283	-	-	-	-	-		401,283
(b) Total Unrated Exposures							2,576,836	2,576,836
	401,283	-	-	-	-	-	2,576,836	2,978,119
Total Credit Exposures before Credit Risk Mitigation	543,268	13,137,768	-	-	-	-	33,602,705	47,283,741

\# Under the CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia, BNM, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures after the effect of credit risk mitigation by risk weights.

	Credit Exposures after the Effect of Credit Risk Mitigation											
Risk Weights	**Sovereigns/ Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, DFIs and MDBs RM'000**	**Insurance Companies, Securities Firms and Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Residential Mortgages RM'000**	**Higher Risk Assets RM'000**	**Other Assets RM'000**	**Equity Exposures RM'000**	**Total Exposures after Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
2016												
0%	**10,432,689**	**1,357,681**	**106,323**	**-**	**267,141**	**-**	**-**	**-**	**5,679**	**-**	**12,169,513**	**-**
20%	**-**	**12,080**	**531,780**	**-**	**141,985**	**-**	**-**	**-**	**-**	**-**	**685,845**	**137,169**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**6,248,452**	**-**	**-**	**-**	**6,248,452**	**2,186,958**
50%	**-**	**-**	**-**	**-**	**-**	**-**	**3,396,897**	**-**	**-**	**-**	**3,396,897**	**1,698,448**
75%	**-**	**-**	**-**	**-**	**-**	**20,427,328**	**127,413**	**-**	**-**	**-**	**20,554,741**	**15,416,056**
100%	**-**	**-**	**-**	**-**	**5,424,106**	**1,870,334**	**1,393,829**	**-**	**84,106**	**497,836**	**9,270,211**	**9,270,211**
150%	**-**	**-**	**-**	**-**	**236**	**190,124**	**1,462**	**2,371**	**-**	**-**	**194,193**	**291,290**
Total	**10,432,689**	**1,369,761**	**638,103**	**-**	**5,833,468**	**22,487,786**	**11,168,053**	**2,371**	**89,785**	**497,836**	**52,519,852**	**29,000,132**
Risk-Weighted Assets by Exposures	**-**	**2,416**	**106,356**	**-**	**5,452,858**	**17,476,016**	**5,376,988**	**3,556**	**84,106**	**497,836**	**29,000,132**	
Average Risk Weights	**-**	**0.2%**	**16.7%**	**-**	**93.5%**	**77.7%**	**48.1%**	**150.0%**	**93.7%**	**100.0%**	**55.2%**	
Deduction from Total Capital			**-**							**-**	**-**	

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Risk Weights	**Sovereigns/ Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, DFIs and MDBs RM'000**	**Insurance Companies, Securities Firms and Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Residential Mortgages RM'000**	**Higher Risk Assets RM'000**	**Other Assets RM'000**	**Equity Exposures RM'000**	**Total Exposures after Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
2015												
0%	10,919,170	1,357,684	106,316	-	267,141	-	-	-	3,239	-	12,653,550	-
20%	-	14,556	891,118	-	216,049	-	-	-	-	-	1,121,723	224,345
35%	-	-	-	-	-	-	4,690,524	-	-	-	4,690,524	1,641,683
50%	-	-	-	-	-	-	2,503,601	-	-	-	2,503,601	1,251,800
75%	-	-	-	-	-	19,151,494	61,706	-	-	-	19,213,200	14,409,900
100%	-	-	-	-	4,259,594	1,531,813	790,949	-	80,553	114,769	6,777,678	6,777,678
150%	-	-	-	-	414	198,633	2,376	2,942	-	-	204,365	306,548
Total	10,919,170	1,372,240	997,434	-	4,743,198	20,881,940	8,049,156	2,942	83,792	114,769	47,164,641	24,611,954
Risk-Weighted Assets by Exposures	-	2,911	178,224	-	4,303,425	16,193,383	3,734,276	4,413	80,553	114,769	24,611,954	
Average Risk Weights	-	0.2%	17.9%	-	90.7%	77.5%	46.4%	150.0%	96.1%	100.0%	52.2%	
Deduction from Total Capital			-							-	-	

5. Credit Risk (Cont'd.)

5.5 Credit Quality of Gross Financing and Advances

Gross Financing and Advances by Credit Quality

The gross financing and advances analysed by credit quality are set out in the credit risk section of Note 39(ii) to the financial statements.

The definition of the neither past due nor impaired financing, past due but not impaired financing and impaired financing are set out in the credit risk section of Note 39 (ii)(a), (ii)(b) and (ii)(c) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment provision are set out in Note 2(iv)(f)(i) to the financial statements.

(a) Tables (i)-(ii) present the analyses of past due but not impaired financing and advances of the Bank by the following:
(i) Economic purpose
(ii) Aging

(i) Economic Purpose

	2016 RM'000	2015 RM'000
Purchase of transport vehicles	**3,416,017**	3,347,865
Purchase of landed properties	**2,091,128**	1,765,321
(Of which: - residential	**1,671,531**	1,446,886
- non-residential)	**419,597**	318,435
Purchase of fixed assets (excluding landed properties)	**53**	-
Personal use	**137,423**	120,969
Credit Card	**1,711**	647
Purchase of consumer durables	**338**	82
Working capital	**26,260**	29,364
Other purpose	**2,465**	2,109
	5,675,395	5,266,357

(ii) Aging

	2016 RM'000	2015 RM'000
1 day to 30 days	**3,202,877**	3,033,725
31 to 59 days	**1,870,683**	1,726,695
60 to 89 days	**601,835**	505,937
	5,675,395	5,266,357

5. Credit Risk (Cont'd.)

5.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) The following tables present the analyses of impaired financing and advances and the related impairment allowances of the Bank by the economic purpose.

Economic Purpose

2016	Impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing and Advances RM'000
Purchase of transport vehicles	**94,829**	-	-	-	-	**159,583**	**159,583**
Purchase of landed properties	**99,044**	-	**34**	-	**34**	**85,082**	**85,116**
(Of which: - residential	**87,126**	-	-	-	-	**68,310**	**68,310**
- non-residential)	**11,918**	-	**34**	-	**34**	**16,772**	**16,806**
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	**18**	**18**
Personal use	**29,707**	-	-	-	-	**49,990**	**49,990**
Credit card	**66**	-	-	-	-	**84**	**84**
Purchase of consumer durables	-	-	-	-	-	**28**	**28**
Construction	-	-	-	-	-	**428**	**428**
Working capital	**2,007**	-	-	-	-	**6,212**	**6,212**
Other purpose	**14**	-	-	-	-	**209**	**209**
	225,667	-	**34**	-	**34**	**301,634**	**301,668**

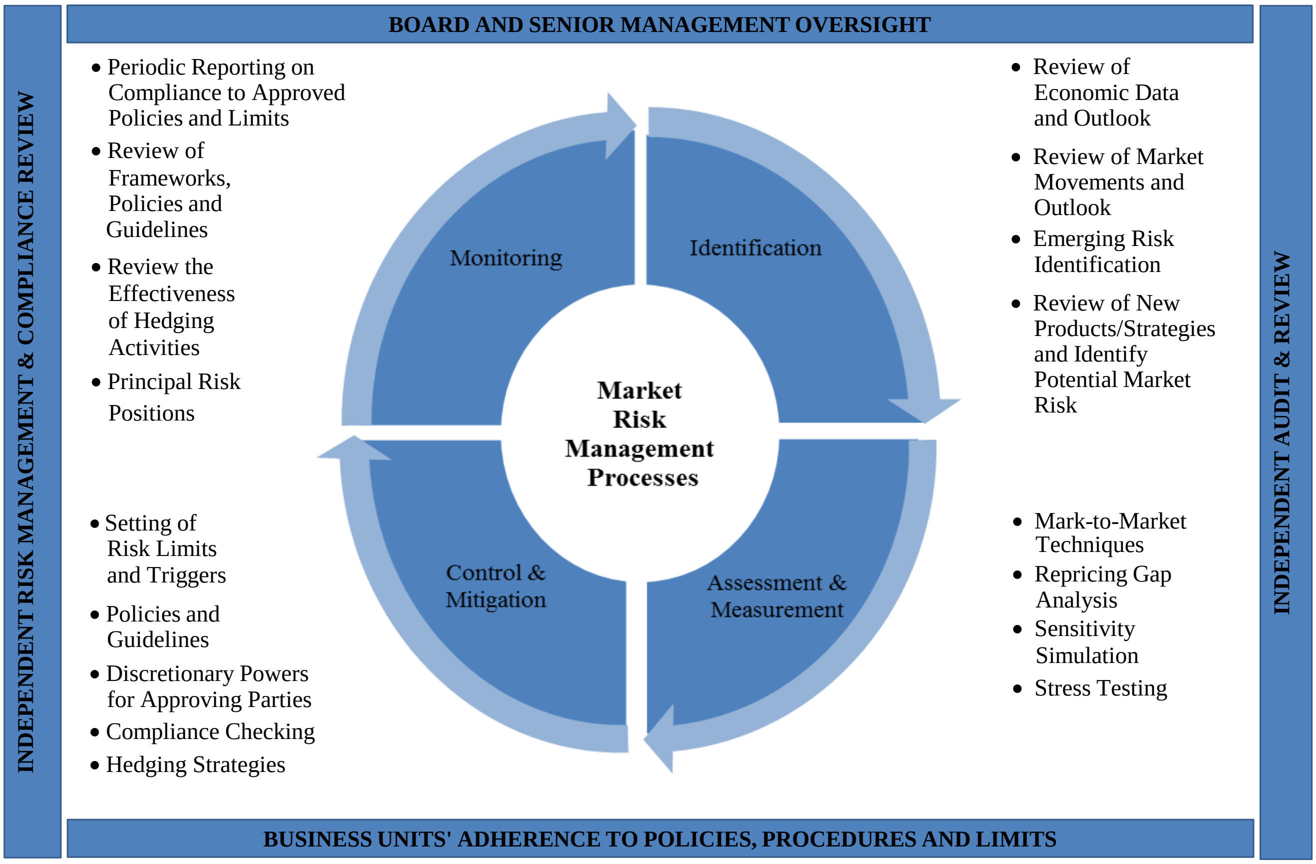
2015	Impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing and Advances RM'000
Purchase of transport vehicles	104,061	-	-	-	-	180,588	180,588
Purchase of landed properties	71,470	-	-	-	-	72,247	72,247
(Of which: - residential	64,435	-	-	-	-	59,401	59,401
- non-residential)	7,035	-	-	-	-	12,846	12,846
Purchase of fixed assets (excluding landed properties)	39	-	-	-	-	23	23
Personal use	35,317	-	-	-	-	56,992	56,992
Credit card	21	-	-	-	-	31	31
Purchase of consumer durables	57	-	-	-	-	83	83
Construction	-	-	-	-	-	148	148
Working capital	820	-	-	-	-	5,659	5,659
Other purpose	19	-	-	-	-	124	124
	211,804	-	-	-	-	315,895	315,895

The movements in the collective assessment allowance for 2016 and 2015 are set out in Note 8 to the financial statements.

6. Market Risk

Market risk is the risk that movements in market variables, including rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Bank.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 39 to the financial statements.

Minimum Regulatory Capital Requirements for Market Risk

The following table presents the minimum regulatory capital requirements for market risk.

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2016				
Rate of return risk	**495,364**	**-**	**40,861**	**3,269**
2015				
Rate of return risk	1,588,380	-	85,600	6,848

7. Equity Exposures in the Banking Book

The following table presents the equity exposures in the banking book.

	2016		2015	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	**497,836**	**497,836**	114,769	114,769

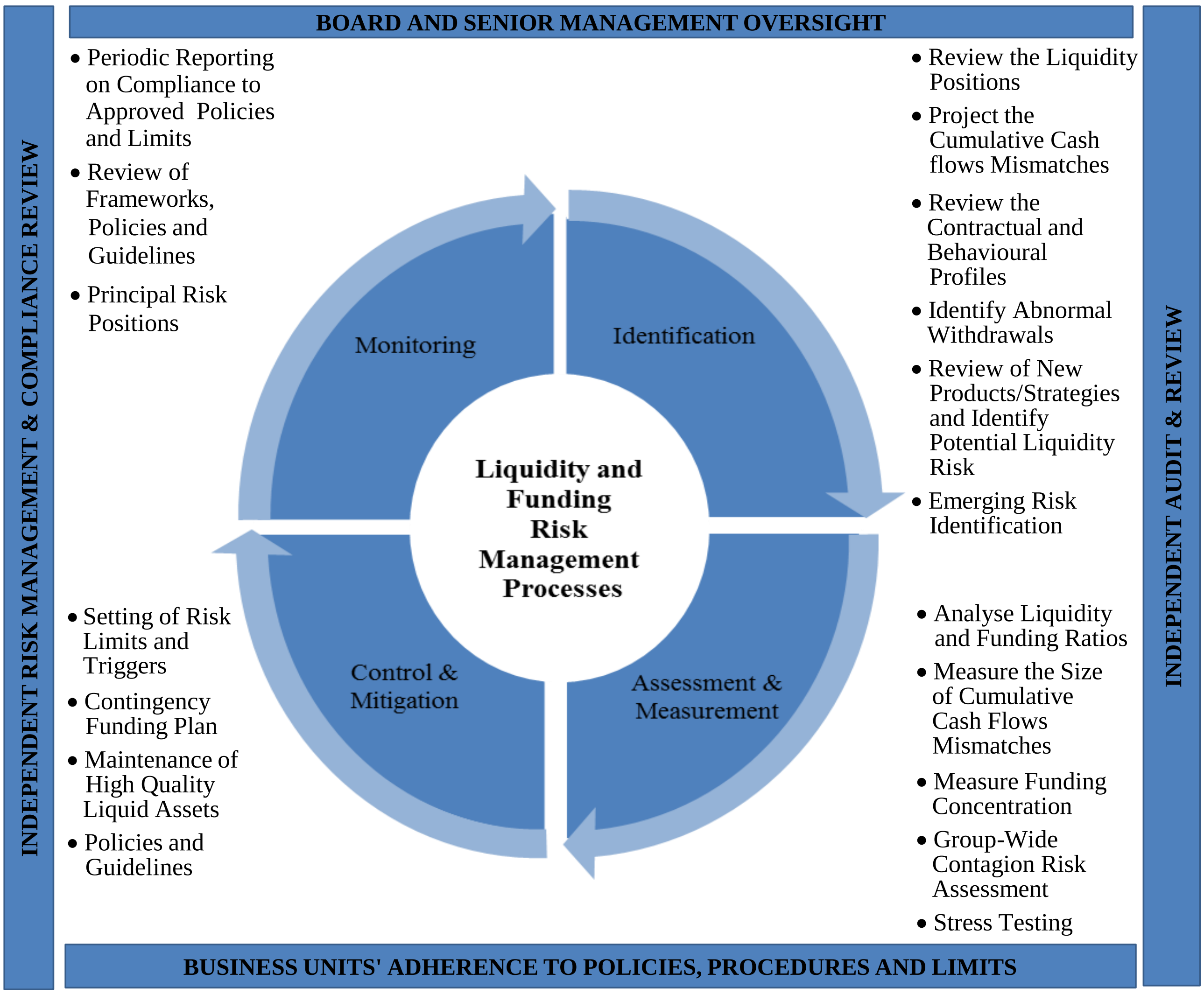
The publicly traded investment in unit trust funds comprises wholesale income fund which is held for yield purposes.

During the financial year, the realised gains on disposal of equity exposures in the banking book are RM0.2 million (2015: RM2.1 million). As at 31 December 2016, there were no unrealised gains or losses (2015: unrealised gains of RM0.5 million) arising from the mark-to-market of equity exposures in banking book.

8. Liquidity and Funding Risk

Liquidity risk is the risk that the Bank is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The following diagram presents the risk management processes over liquidity and funding risk.

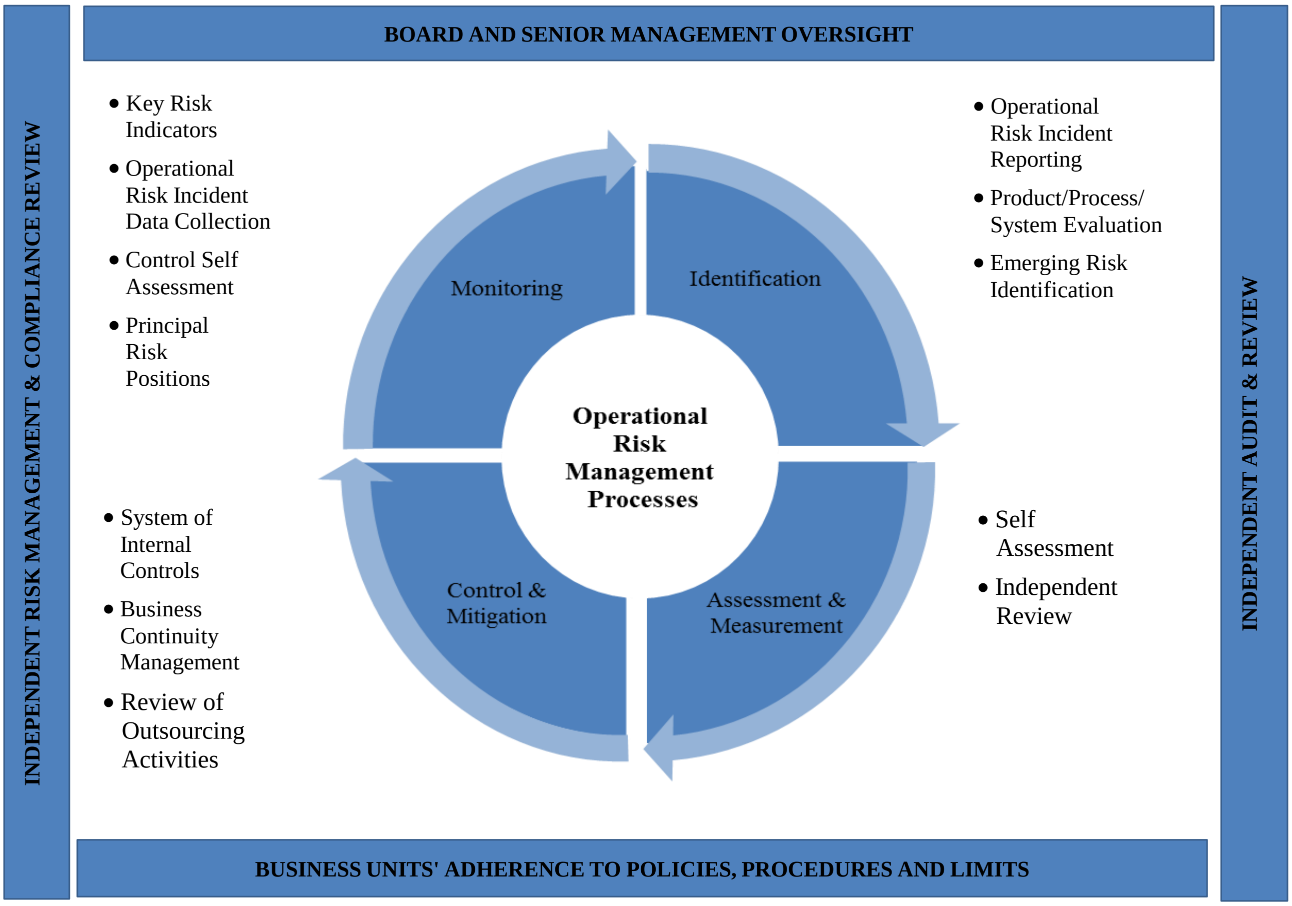


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 39 to the financial statements.

9. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Bank is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 39 to the financial statements.

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Bank, computed using the Basic Indicator Approach.

	2016		2015	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	**1,608,488**	**128,679**	1,549,041	123,923

10. Shariah Non-Compliance Risk

The following disclosures on Shariah non-compliance risk are set out in the Shariah non-compliance risk section of Note 39 to the financial statements:

(a) Description of the Shariah governance structure, systems, processes and controls employed for the purpose of ensuring Shariah compliance;

(b) Description on rectification process of non-Shariah compliant income occurring during the year; and

(c) The amount of non-Shariah compliant income and the number of non-Shariah compliant events occurring during the year.