HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
As at 31 December 2019

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Arsalaan Ahmed, 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 26 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

…………………………………….
ARSALAAN AHMED

CHIEF EXECUTIVE OFFICER
04 February 2020

(a) Introduction

HSBC Amanah Malaysia Berhad (the Bank) is principally engaged in the provision of Islamic banking business. At the reporting date, the Bank does not have any subsidiaries.

(b) Basel II

The Bank's lead regulator, Bank Negara Malaysia (BNM) sets and monitors capital requirements for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Bank adopts the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

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

(c) Transferability of capital and funds

HSBC Bank Malaysia Berhad, the holding company, is the primary provider of equity capital to the Bank. The Bank manages its own capital to support its planned business growth.

(d) Internal assessment of capital adequacy

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

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

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

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

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

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

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

Refer to Note 37 of the financial statements as at 31 December 2019 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

Stress Testing

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

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

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

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

Governance

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

Risk Appetite

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

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

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

(e) Capital structure

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

- Tier 1 capital[1] is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 Capital. CET1 Capital includes ordinary share capital[2], retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Bank does not have any Additional Tier 1 Capital as at 31 December 2019.

- Tier 2 capital[1] includes qualifying subordinated term financing[3], impairment allowances equal to 12-months and lifetime expected credit losses for non credit impaired loans (commonly known as Stage 1 and 2 provisions), regulatory reserve and the element of the fair value reserve relating to revaluation of property which are disclosed as regulatory adjustments.

(f) Risk management policies

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

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

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

[1] *Refer to Note 37 of the financial statements as at 31 December 2019 for the amount and breakdown of capital components.*

[2] *Refer to Note 26 of the financial statements as at 31 December 2019 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.*

[3] *Refer to Note 25 of the financial statements as at 31 December 2019 for terms and conditions of the subordinated liabilities.*

(f) Risk management policies (Cont'd)

1) RWA and Capital Requirement

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

31 Dec 2019
(RM'000)

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		**7,780,684**	**7,780,684**	**201,036**	**16,083**
PSEs		**338,553**	**338,553**	**138,375**	**11,070**
Banks, DFIs & MDBs		**264,872**	**64,227**	**14,880**	**1,190**
Corporates		**5,657,832**	**5,570,907**	**5,118,660**	**409,493**
Regulatory Retail		**2,529,185**	**2,515,781**	**2,009,465**	**160,757**
House Financing		**4,134,192**	**4,134,192**	**1,518,953**	**121,516**
Higher Risk Assets		**4,342**	**4,192**	**6,288**	**503**
Other Assets		**190,825**	**190,825**	**47,210**	**3,777**
Defaulted Exposures		**303,476**	**302,164**	**333,829**	**26,706**
Total for On-Balance Sheet Exposures		**21,203,961**	**20,901,525**	**9,388,696**	**751,095**
Off-Balance Sheet Exposures					
OTC Derivatives		**275,238**	**250,238**	**155,738**	**12,459**
Off balance sheet exposures other than OTC derivatives or credit derivatives		**3,183,100**	**3,101,894**	**2,054,017**	**164,321**
Defaulted Exposures		**1,826**	**1,826**	**2,699**	**216**
Total for Off-Balance Sheet Exposures		**3,460,164**	**3,353,958**	**2,212,454**	**176,996**
Total On and Off-Balance Sheet Exposures [1]		**24,664,125**	**24,255,483**	**11,601,150**	**928,091**
Market Risk (Standardised Approach)	**Long position**	**Short position**			
Profit Rate Risk	**1,855,403**	**3,115,067**	**(1,259,664)**	**75,976**	**6,078**
Foreign Currency Risk	**5,823**	**512**	**5,823**	**5,823**	**466**
	1,861,226	**3,115,579**	**(1,253,841)**	**81,799**	**6,544**
Operational Risk (Basic Indicator Approach)	**-**	**-**	**-**	**996,092**	**79,687**
Total RWA and Capital Requirement	**-**	**-**	**-**	**12,679,041**	**1,014,322**

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

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

(f) Risk management policies (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2018
(RM'000)

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		5,751,456	5,751,456	-	-
PSEs		581,731	581,731	381,327	30,506
Banks, DFIs & MDBs		460,108	257,264	114,060	9,125
Corporates		6,334,629	6,169,477	5,585,693	446,855
Regulatory Retail		2,373,046	2,360,984	1,884,086	150,727
House Financing		4,290,957	4,290,957	1,574,917	125,993
Higher Risk Assets		6,201	6,051	9,077	726
Other Assets		123,664	123,664	24,329	1,946
Defaulted Exposures		276,682	276,099	348,743	27,899
Total for On-Balance Sheet Exposures		20,198,474	19,817,683	9,922,232	793,777
Off-Balance Sheet Exposures					
OTC Derivatives		455,963	430,963	274,975	21,998
Off balance sheet exposures other than OTC derivatives or credit derivatives		3,115,363	3,039,159	2,021,566	161,725
Defaulted Exposures		2,029	2,029	2,892	231
Total for Off-Balance Sheet Exposures		3,573,355	3,472,151	2,299,433	183,954
Total On and Off-Balance Sheet Exposures [1]		23,771,829	23,289,834	12,221,665	977,731
Market Risk (Standardised Approach)	**Long position**	**Short position**			
Profit Rate Risk	138,542	1,005,036	(866,494)	80,470	6,438
Foreign Currency Risk	2,097	11,381	11,381	11,381	910
	140,639	1,016,417	(855,113)	91,851	7,348
Operational Risk (Basic Indicator Approach)	-	-	-	943,049	75,444
Total RWA and Capital Requirement	-	-	-	13,256,565	1,060,523

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

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

Refer to Note 37 of the financial statements as at 31 December 2019 for disclosure on RWA breakdown by various categories of risk weights.

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

(f) Risk management policies (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:

31 Dec 2019
(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	Higher Risk Assets	Other Assets		
0%	**6,775,504**	**-**	**-**	**28,785**	**24,728**	**-**	**-**	**143,615**	**6,972,632**	**-**
20%	**1,005,179**	**400,223**	**109,261**	**877,881**	**2,639**	**-**	**-**	**-**	**2,395,183**	**479,037**
35%	**-**	**-**	**-**	**-**	**-**	**4,293,628**	**-**	**-**	**4,293,628**	**1,502,770**
50%	**-**	**-**	**325,907**	**119,856**	**19,753**	**172,119**	**-**	**-**	**637,635**	**318,818**
75%	**-**	**-**	**-**	**-**	**2,744,956**	**74,527**	**-**	**-**	**2,819,483**	**2,114,612**
100%	**-**	**109,203**	**32,687**	**6,075,580**	**620,155**	**154,106**	**-**	**47,210**	**7,038,941**	**7,038,941**
150%	**-**	**-**	**-**	**26,974**	**31,289**	**33,772**	**5,946**	**-**	**97,981**	**146,972**
Total									**24,255,483**	**11,601,150**
Average Risk Weight	**3%**	**37%**	**46%**	**89%**	**79%**	**39%**	**150%**	**25%**	**48%**	

31 Dec 2018
(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	Higher Risk Assets	Other Assets		
0%	5,751,456	-	-	10,481	12,751	-	-	99,335	5,874,023	-
20%	-	450,505	93,608	781,625	3,301	-	-	-	1,329,039	265,808
35%	-	-	-	-	-	4,454,681	-	-	4,454,681	1,559,138
50%	-	-	637,414	485,777	6,673	163,008	-	-	1,292,872	646,436
75%	-	-	-	-	2,613,182	88,969	-	-	2,702,151	2,026,613
100%	-	390,398	39,111	6,385,523	485,788	138,716	-	24,329	7,463,865	7,463,865
150%	-	-	-	32,370	86,030	46,298	8,505	-	173,203	259,805
Total									23,289,834	12,221,665
Average Risk Weight	0%	57%	49%	89%	80%	39%	150%	20%	52%	

<u>Note:</u>
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions
PSEs - Public Sector Entities

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

(f) Risk management policies (Cont'd)

3) Credit Risk

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

	31 Dec 2019				
RM'000	**Northern**	**Southern**	**Central**	**Eastern**	**Total**
Cash line-i	**9,503**	**27,265**	**36,231**	**132**	**73,131**
Term financing					
House financing	**550,387**	**519,611**	**2,952,360**	**142,014**	**4,164,372**
Syndicated term financing	**-**	**-**	**728,298**	**-**	**728,298**
Hire purchase receivables	**45,342**	**64,349**	**75,526**	**8,832**	**194,049**
Other term financing	**484,082**	**568,491**	**2,621,281**	**165,220**	**3,839,074**
Bills receivables	**65,261**	**51,525**	**354,134**	**-**	**470,920**
Trust receipts	**53,462**	**23,950**	**447,336**	**1,078**	**525,826**
Claims on customers under acceptance credits	**108,371**	**90,972**	**122,825**	**1,104**	**323,272**
Staff financing-i	**626**	**45**	**1,554**	**19**	**2,244**
Credit cards-i	**218,462**	**218,681**	**760,844**	**60,577**	**1,258,564**
Revolving financing	**20,624**	**5,664**	**1,689,877**	**-**	**1,716,165**
Other financing	**1,163**	**351**	**2,760**	**29**	**4,303**
	1,557,283	**1,570,904**	**9,793,026**	**379,005**	**13,300,218**

	31 Dec 2018 (Restated)				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	9,480	22,956	42,509	389	75,334
Term financing					
House financing	576,167	554,850	3,038,952	159,251	4,329,220
Syndicated term financing	-	-	1,334,656	-	1,334,656
Hire purchase receivables	37,599	53,722	92,872	11,443	195,636
Lease receivables	-	-	539	-	539
Other term financing	437,470	512,559	3,191,662	175,729	4,317,420
Bills receivables	103,071	6,485	347,022	-	456,578
Trust receipts	21,131	25,603	476,891	-	523,625
Claims on customers under acceptance credits	115,727	94,077	211,072	1,417	422,293
Staff financing-i	754	104	2,248	38	3,144
Credit cards-i	194,828	183,118	646,419	51,269	1,075,634
Revolving financing	-	10,404	1,623,961	-	1,634,365
Other financing	1,082	291	2,026	27	3,426
	1,497,309	1,464,169	11,010,829	399,563	14,371,870

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

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.
The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.
The Central region consists of the states of Selangor, the Federal Territory of Kuala Lumpur and the Federal Territory of Putrajaya.
The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2019				
RM'000	**Northern**	**Southern**	**Central**	**Eastern**	**Total**
Cash line-i	**1,661**	**4,714**	**3,865**	**-**	**10,240**
Term financing					
House financing	**15,584**	**17,124**	**72,658**	**625**	**105,991**
Hire purchase receivables	**227**	**717**	**173**	**-**	**1,117**
Other term financing	**10,889**	**8,839**	**205,417**	**5,804**	**230,949**
Bills receivables	**2,260**	**5,384**	**17,858**	**-**	**25,502**
Claims on customers under acceptance credits	**-**	**665**	**-**	**-**	**665**
Credit cards-i	**1,457**	**1,790**	**3,076**	**486**	**6,809**
Other financing	**1,100**	**328**	**2,590**	**12**	**4,030**
	33,178	**39,561**	**305,637**	**6,927**	**385,303**

	31 Dec 2018 (Restated)				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	1,727	4,921	3,508	-	10,156
Term financing					
House financing	18,892	19,704	85,414	978	124,988
Hire purchase receivables	1,435	2,107	12	2,814	6,368
Other term financing	10,583	5,056	160,514	1,827	177,980
Bills receivables	2,260	4,751	17,962	-	24,973
Trust receipts	-	724	-	-	724
Credit cards-i	1,798	1,936	3,791	405	7,930
Other financing	1,053	254	1,860	26	3,193
	37,748	39,453	273,061	6,050	356,312

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

	31 Dec 2019				
RM'000	**Maturing within one year**	**One year to three years**	**Three years to five years**	**Over five years**	**Total**
Cash line-i	**73,131**	**-**	**-**	**-**	**73,131**
Term financing					
House financing	**9,779**	**5,008**	**16,515**	**4,133,070**	**4,164,372**
Syndicated term financing	**70,613**	**464,738**	**192,947**	**-**	**728,298**
Hire purchase receivables	**5,971**	**78,625**	**109,453**	**-**	**194,049**
Other term financing	**83,314**	**1,206,801**	**693,334**	**1,855,625**	**3,839,074**
Bills receivables	**470,920**	**-**	**-**	**-**	**470,920**
Trust receipts	**525,826**	**-**	**-**	**-**	**525,826**
Claims on customers under acceptance credits	**323,272**	**-**	**-**	**-**	**323,272**
Staff financing-i	**13**	**237**	**584**	**1,410**	**2,244**
Credit cards-i	**1,258,564**	**-**	**-**	**-**	**1,258,564**
Revolving financing	**1,716,165**	**-**	**-**	**-**	**1,716,165**
Other financing	**4,303**	**-**	**-**	**-**	**4,303**
	4,541,871	**1,755,409**	**1,012,833**	**5,990,105**	**13,300,218**

	31 Dec 2018 (Restated)				
RM'000	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line-i	75,334	-	-	-	75,334
Term financing					
House financing	10,896	3,483	13,132	4,301,709	4,329,220
Syndicated term financing	926,222	331,226	-	77,208	1,334,656
Hire purchase receivables	15,330	63,770	116,536	-	195,636
Lease receivables	539	-	-	-	539
Other term financing	751,518	767,208	1,158,982	1,639,712	4,317,420
Bills receivables	456,578	-	-	-	456,578
Trust receipts	523,625	-	-	-	523,625
Claims on customers under acceptance credits	422,293	-	-	-	422,293
Staff financing-i	67	443	714	1,920	3,144
Credit cards-i	1,075,634	-	-	-	1,075,634
Revolving financing	1,634,365	-	-	-	1,634,365
Other financing	3,426	-	-	-	3,426
	5,895,827	1,166,130	1,289,364	6,020,549	14,371,870

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2019
RM'000

	Cash line-i	House financing	Syndicated Term Financing	Hire purchase receivables	Lease receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	1,865	-	-	1,935	-	11,777	-	-	632	-	-	506	-	16,715
Mining and quarrying	1,954	-	-	8,051	-	165,792	-	-	3,387	-	-	5,006	-	184,190
Manufacturing	23,313	-	32,897	127,378	-	565,853	89,982	122,876	165,316	-	-	75,584	34	1,203,233
Electricity, gas and water	700	-	-	40	-	183,345	14,050	-	1,176	-	-	-	-	199,311
Construction	9,741	-	-	3,351	-	346,262	55,835	13,541	14,060	-	-	608,287	2	1,051,079
Real estate	2	-	369,718	-	-	263,206	-	-	-	-	-	126,843	-	759,769
Wholesale & retail trade and restaurants & hotels	13,229	-	-	7,982	-	157,148	168,212	295,073	126,168	-	-	56,223	279	824,314
Transport, storage and communication	291	-	-	30,934	-	79,523	640	25,759	10,191	-	-	30,226	8	177,572
Finance, takaful and business services	11,352	-	-	10,311	-	82,969	14,669	-	1,255	-	-	747,117	636	868,309
Household-retail	10	4,164,372	-	-	-	1,356,669	-	-	-	2,244	1,258,564	-	3,327	6,785,186
Others	10,674	-	325,683	4,067	-	626,530	127,532	68,577	1,087	-	-	66,373	17	1,230,540
	73,131	4,164,372	728,298	194,049	-	3,839,074	470,920	525,826	323,272	2,244	1,258,564	1,716,165	4,303	13,300,218

31 Dec 2018 (Restated)
RM'000

	Cash line-i	House financing	Syndicated Term Financing	Hire purchase receivables	Lease receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	2,238	-	-	3,612	-	12,041	-	-	1,095	-	-	-	-	18,986
Mining and quarrying	1,604	-	-	8,861	-	194,732	-	-	1,445	-	-	25,021	11	231,674
Manufacturing	13,875	-	363,427	114,453	-	567,546	117,260	53,353	214,031	-	-	51,145	2	1,495,092
Electricity, gas and water	1,115	-	-	116	-	115,010	50	11,177	794	-	-	-	-	128,262
Construction	6,799	-	-	4,886	-	234,718	16,338	32,373	5,897	-	-	482,677	-	783,688
Real estate	-	-	492,142	-	-	638,309	-	-	-	-	-	5,051	5	1,135,507
Wholesale & retail trade and restaurants & hotels	17,107	-	-	10,786	-	199,254	271,012	235,391	176,668	-	-	85,179	172	995,569
Transport, storage and communication	8,368	-	-	32,844	-	121,699	-	27,302	10,044	-	-	14,008	26	214,291
Finance, takaful and business services	21,828	-	-	12,795	539	167,933	13,282	5,344	11,236	-	-	807,349	366	1,040,672
Household-retail	29	4,329,220	-	-	-	1,295,277	-	-	-	3,144	1,075,634	-	2,841	6,706,145
Others	2,371	-	479,087	7,283	-	770,901	38,636	158,685	1,083	-	-	163,935	3	1,621,984
	75,334	4,329,220	1,334,656	195,636	539	4,317,420	456,578	523,625	422,293	3,144	1,075,634	1,634,365	3,426	14,371,870

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

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

31 Dec 2019
RM'000

	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Credit cards-i	Other financing	Total
Manufacturing	3,530	-	227	2,778	9,013	-	665	-	34	16,247
Construction	1,039	-	529	1,301	1,328	-	-	-	2	4,199
Real estate	-	-	-	35	-	-	-	-	-	35
Wholesale & retail trade and restaurants & hotels	2,125	-	-	11,606	3,994	-	-	-	279	18,004
Transport, storage and communication	-	-	361	-	-	-	-	-	8	369
Finance, takaful and business services	3,546	-	-	13,372	11,167	-	-	-	636	28,721
Household-retail	-	105,991	-	176,701	-	-	-	6,809	3,064	292,565
Others	-	-	-	25,156	-	-	-	-	7	25,163
	10,240	105,991	1,117	230,949	25,502	-	665	6,809	4,030	385,303

31 Dec 2018 (Restated)
RM'000

	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Credit cards-i	Other financing	Total
Mining and quarrying	-	-	-	693	-	-	-	-	11	704
Manufacturing	3,514	-	1,335	3,425	8,354	724	-	-	2	17,354
Construction	991	-	796	-	1,355	-	-	-	-	3,142
Wholesale & retail trade and restaurants & hotels	2,330	-	-	4,441	4,198	-	-	-	170	11,139
Transport, storage and communication	-	-	4,126	-	-	-	-	-	27	4,153
Finance, takaful and business services	3,321	-	111	13,796	11,066	-	-	-	367	28,661
Household-retail	-	124,988	-	129,802	-	-	-	7,930	2,613	265,333
Others	-	-	-	25,823	-	-	-	-	3	25,826
	10,156	124,988	6,368	177,980	24,973	724	-	7,930	3,193	356,312

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 6: All past due financing and advances breakdown by sector [1]

	31 Dec 2019	31 Dec 2018 (Restated)
	RM'000	RM'000
Mining and quarrying	**-**	704
Manufacturing	**17,169**	24,305
Construction	**10,033**	3,953
Real estate	**17,092**	246,554
Wholesale & retail trade and restaurants & hotels	**13,746**	18,727
Transport, storage and communication	**347**	4,164
Finance, takaful and business services	**-**	62,577
Household-retail	**796,217**	826,770
Others	**25,397**	28,245
	880,001	1,215,999

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

	31 Dec 2019	31 Dec 2018 (Restated)
	RM'000	RM'000
Northern region	**116,145**	124,087
Southern region	**132,865**	136,220
Central region	**604,812**	912,079
Eastern region	**26,179**	43,613
	880,001	1,215,999

[1] of which the portion of impaired financing and advances breakdown by sector and geographical location is disclosed in Note 12 (iii) and 12 (v) of the financial statements as at 31 December 2019 respectively.

Table 8: Impairment allowance breakdown by sector

	31 Dec 2019	31 Dec 2018 (Restated)
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	**25**	28
Mining and quarrying	**91**	163
Manufacturing	**4,826**	5,128
Electricity, gas and water	**453**	59
Construction	**5,859**	4,341
Real estate	**29,161**	25,327
Wholesale & retail trade and restaurants & hotels	**6,508**	4,647
Transport, storage and communication	**1,164**	4,805
Finance, insurance/takaful and business services	**137**	64
Household-retail	**206,434**	189,005
Others	**2,607**	966
	257,265	234,533

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

Table 9: Impairment allowance breakdown by geographical location

	31 Dec 2019	31 Dec 2018 (Restated)
	RM'000	RM'000
Northern region	**29,430**	29,370
Southern region	**29,048**	30,170
Central region	**191,956**	164,634
Eastern region	**6,831**	10,359
	257,265	234,533

The reconciliation of changes in financing impairment provisions is disclosed in Note 13 (i) of the financial statements as at 31 December 2019.

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

(Release) / Charges	**31 Dec 2019**	31 Dec 2018
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	**(3)**	(109)
Mining and quarrying	**(75)**	156
Manufacturing	**(270)**	(1,643)
Electricity, gas and water	**393**	(128)
Construction	**1,503**	(631)
Real estate	**4,087**	4,693
Wholesale & retail trade and restaurants & hotels	**1,934**	1,331
Transport, storage and communication	**(802)**	(308)
Finance, insurance/takaful and business services	**79**	(96)
Household-retail	**67,370**	66,864
Others	**1,548**	180
	75,764	70,309

The reconciliation of changes in financing impairment provisions is disclosed in Note 30 (i) of the financial statements as at 31 December 2019.

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) External Credit Assessment Institutions (ECAIs)

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

ECAIs are used by the 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)
- 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 Disclosures (Cont'd)

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

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

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

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

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

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

Risk weights under the Standardised Approach at the reporting date are reflected in page 5 and 6. The rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:

31 Dec 2019
RM '000

	Long Term Rating Category							
Exposure Class	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	3,072,763	-	-	-	-		3,072,763
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	18,640	216,570	200,645	30,161	-	-		466,016
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	25,699	-	-	-	-		25,699
- Exposures risk-weighted using ratings of Corporates	444,262	60,386	203,550	-	-	-		708,198
	462,902	3,375,418	404,195	30,161	-	-		4,272,676
(ii) Total unrated exposures							14,961,729	14,961,729
Total Long Term Exposure	462,902	3,375,418	404,195	30,161	-	-	14,961,729	19,234,405

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2019
RM '000

Exposure Class	Short Term Rating Category					
	1	2	3	4	5	Total
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	4,705,179	-	-		4,705,179
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,000	-	-	-		150,000
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	62,109	766	-	-		62,875
Corporates						
- Exposures risk-weighted using ratings of Corporates	511,666	-	-	-		511,666
	723,775	4,705,945	-	-	-	5,429,720
(ii) Total unrated exposures					-	-
Total Short Term Exposures	723,775	4,705,945	-	-	-	5,429,720

Total Long Term and Short Term Exposures:	24,664,125

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2018
RM '000

Exposure Class	Long Term Rating Category 1	2	3	4	5	6	7	Total
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	2,912,187	-	-	-	-		2,912,187
PSEs								
- Exposures risk-weighted using ratings of Corporates	-	-	331,226	-	-	-		331,226
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	30,480	406,430	202,844	39,111	-	-		678,865
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	8,578	-	-	-	-		8,578
- Exposures risk-weighted using ratings of Banking Instituition	1,997	-	-	-	-	-		1,997
- Exposures risk-weighted using ratings of Corporates	380,403	54,516	1,200	-	-	-		436,119
	412,880	3,381,711	535,270	39,111	-	-	-	4,368,972
(ii) Total unrated exposures							15,209,265	15,209,265
Total Long Term Exposures	412,880	3,381,711	535,270	39,111	-	-	15,209,265	19,578,237

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2018
RM '000

	Short Term Rating Category					
Exposure Class	**1**	**2**	**3**	**4**	**5**	**Total**
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	2,839,269	-	-		2,839,269
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,000	-	-	-		150,000
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	48,483	1,263	461	-		50,207
Corporates						
- Exposures risk-weighted using ratings of Corporates	555,179	452,525	146,412	-		1,154,116
	753,662	3,293,057	146,873	-	-	4,193,592
(ii) Total unrated exposures					-	-
Total Short Term Exposures	753,662	3,293,057	146,873	-	-	4,193,592

Total Long Term and Short Term Exposures	23,771,829

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

(f) Risk management policies (Cont'd)

3) Credit Risk

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 repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer’s standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the 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; or by third party credit guarantee institutions;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, e.g. where the 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 appropariate, and supported by market standard documentation.

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

Policies and procedures govern the protection of the 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 three years, or more frequently as the need may arise, for impaired accounts. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the customer/charger on the grounds that the correct valuation was not applied.

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

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

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2019
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	**7,780,684**	**-**	**-**
PSEs	**338,553**	**-**	**-**
Banks, DFIs & MDBs	**264,872**	**-**	**200,645**
Corporates	**5,657,832**	**39,178**	**86,925**
Regulatory Retail	**2,529,185**	**20,245**	**13,404**
House Financing	**4,134,192**	**-**	**-**
Higher Risk Assets	**4,342**	**-**	**150**
Other Assets	**190,825**	**-**	**-**
Defaulted Exposures	**303,476**	**3,125**	**1,312**
Total for On-Balance Sheet Exposures	**21,203,961**	**62,548**	**302,436**
Off-Balance Sheet Exposures			
OTC Derivatives	**275,238**	**-**	**25,000**
Off balance sheet exposures other than OTC derivatives or credit derivatives	**3,183,100**	**42,498**	**81,206**
Defaulted Exposures	**1,826**	**-**	**-**
Total for Off-Balance Sheet Exposures	**3,460,164**	**42,498**	**106,206**
Total On and Off-Balance Sheet Exposures	**24,664,125**	**105,046**	**408,642**

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

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

31 Dec 2018
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,751,456	-	-
PSEs	581,731	-	-
Banks, DFIs & MDBs	460,108	-	202,844
Corporates	6,334,629	110,707	165,152
Regulatory Retail	2,373,046	10,892	12,062
House Financing	4,290,957	-	-
Higher Risk Assets	6,201	-	150
Other Assets	123,664	-	-
Defaulted Exposures	276,682	7,046	583
Total for On-Balance Sheet Exposures	20,198,474	128,645	380,791
Off-Balance Sheet Exposures			
OTC Derivatives	455,963	-	25,000
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,115,363	60,264	76,204
Defaulted Exposures	2,029	-	-
Total for Off-Balance Sheet Exposures	3,573,355	60,264	101,204
Total On and Off-Balance Sheet Exposures	23,771,829	188,909	481,995

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions
PSEs - Public Sector Entities
OTC - Over the Counter

(f) Risk management policies (Cont'd)

3) Credit Risk (Cont'd)

iii) Counterparty Credit Risk

In respect of counterparty credit risk exposures which arise from OTC derivative transactions, a credit limit for counterparty credit risk (CCR) is assigned, monitored and reported in accordance with the Group risk methodology. The credit limit established takes into account the mark to market and the future potential exposure measured on the basis of 95 percentile potential worst case loss estimates for the product involved. These methods of calculating credit exposures apply to all counterparties and differences in credit quality are reflected in the size of the limits.

The policy for secured collateral on derivatives is guided by the Group's Internal Best Practice Guidelines ensuring the due diligence necessary to fully understand the effectiveness of netting and collateralisation by jurisdiction, counterparty, product and agreement type is fully assessed and that the due-diligence standards are high and consistently applied.

4) Rate of Return Risk

Sensitivity of projected Net Profit/Finance Income

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			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	*+ 100 bps*	*- 100 bps*	*+ 100 bps*	*- 100 bps*
MYR	**17,680**	**(35,001)**	(14,977)	8,821
USD	**(12,692)**	**10,457**	12,756	(15,108)
Others	**6,228**	**(5,880)**	6,692	(8,568)
	11,216	**(30,424)**	4,471	(14,855)

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			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	*+ 200 bps*	*- 200 bps*	*+ 200 bps*	*- 200 bps*
MYR	**(88,221)**	**104,135**	(66,400)	82,614
USD	**1,017**	**(1,588)**	3,242	(5,433)
Others	**(2,078)**	**1,770**	564	10
	(89,282)	**104,317**	(62,594)	77,191

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 financial investments at fair value through other comprehensive income (FVOCI) 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			
	31 Dec 2019		31 Dec 2018	
Basis point parallel shift in yield curves	*+ 100bps*	*- 100bps*	*+ 100bps*	*- 100bps*
MYR	**(25,449)**	**25,449**	(36,330)	36,330
	(25,449)	**25,449**	(36,330)	36,330

5) Restatement of comparative figures

The restatement of 31 December 2018 Pillar 3 Disclosures is to align the presentation for certain portfolio of financing and advances with industry practice. The Bank's prior year profit and loss and retained profits brought forward are not affected by these reclassifications. Refer to Note 43 of the financial statements as at 31 December 2019.

Tables affected by the restatement are as below:

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

(f) Risk management policies (Cont'd)

6) Shariah Governance

Overview

Shariah compliance is a cornerstone and is integral to the stability of Islamic banking and finance's industry. An effective Shariah governance policy enhances the diligent oversight accountabilities of the BOD, the Shariah Committee and the Management to ensure that the operations and business activities of 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 BNM and Securities Commission have outlined several provisions in relation to the establishment of a Shariah Committee and an internal Shariah Department in an Islamic Financial Institution (IFI). The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and decisions pertaining to Islamic finance. The Shariah Committee also performs an oversight role on Shariah matters related to the Bank's business operations and activities. At the institutional level, the Shariah Department acts as a delegated authority of the Shariah Committee in providing Shariah advsiory to the Management team of the IFI. The Shariah Department together with the Shariah Committee has the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, and expectations for effective Shariah governance arrangements in accordance with the guidelines laid down by Shariah-Regulatory Framework Policy Document (PD) and Shariah Governance Policy (SGP) Document of BNM, respectively. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

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

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

a. Board of Directors
To have the ultimate oversight accountability for the institutionalisation of overall Shariah governance framework and Shariah compliance of the Bank.

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

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

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

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

(f) Risk management policies (Cont'd)

6) Shariah Governance (Cont'd)

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

f. Shariah Department

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

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

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

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

iv) Knowledge and Skills Monitoring
To develop content and learning materials on knowledge relevant to HBMS Products and to run the training programmes and monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of the Bank's products.

Quantitative Disclosure

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

b. Shariah Non-Compliance Income:
During the financial year ended 31 December 2019 the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

i) The amount of RM13,457 in the Account was carried forward from 2018 to 2019.

ii) Income from inadvertent Shariah non-compliance activities identified by the Bank's management amounted to RM 27,115 as at 31 December 2019 is itemised as follows:
- RM 21,858 received from income not supported by the underlying transaction in Revolving Financing-i.
- RM 5,257 received from transactions via Nostro Accounts has been reversed to the Account.

iii) RM 22,454 has been deducted for 2016 and 2018 tax liabilities on Shariah Penalty & Impure Income.

iv) RM 15,000 was donated to National Kidney Foundation.

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

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