



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Overview

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to management.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework - Pillar 3 which sets out the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process which covers the verification and review of the accuracy of information disclosed.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

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1.0 Scope of Application

The Pillar 3 Disclosure was prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries and associate companies. The Group offers Conventional and Islamic banking services. The latter includes the acceptance of deposits and granting of financing under the Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad. Information on subsidiary and associate companies are available in Note 13 and 14 of the audited financial statements.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes as prescribed in Note 2(b) of the audited financial statements, except for investments in subsidiaries engaged in nominees activities and sales distribution which are excluded from the regulatory consolidation and are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group that were not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

2.0 Capital

In managing its capital, the Group's objectives are:

- (i) To maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of action plan(s) in advance if the stress tests reveal that the Group's capital will be adversely affected. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Framework and their capital ratios comply with the prescribed capital adequacy ratios.

2.0 Capital (contd.)

2.1 Capital Adequacy Ratios

The capital adequacy ratios of the Bank and the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Bank and the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

(a) The capital adequacy ratios of the Bank and the Group are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
<u>Before deducting proposed dividends</u>				
CET I capital ratio	11.291%	10.987%	11.301%	10.908%
Tier I capital ratio	11.291%	12.235%	11.301%	11.961%
Total capital ratio	11.751%	12.295%	13.160%	14.201%
<u>After deducting proposed dividends</u>				
CET I capital ratio	11.058%	10.361%	11.108%	10.379%
Tier I capital ratio	11.058%	11.609%	11.108%	11.433%
Total capital ratio	11.518%	11.670%	12.967%	13.673%

(b) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2015		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.013%	94.504%
Tier I capital ratio	11.013%	94.504%
Total capital ratio	11.731%	94.504%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.013%	93.448%
Tier I capital ratio	11.013%	93.448%
Total capital ratio	11.731%	93.448%
2014		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.426%	93.737%
Tier I capital ratio	13.426%	93.737%
Total capital ratio	14.134%	93.767%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.113%	92.148%
Tier I capital ratio	13.113%	92.148%
Total capital ratio	13.821%	92.178%

The detailed capital adequacy ratios of the above banking subsidiaries are set out in the Pillar 3 Report of the respective entity.

2.0 Capital (contd.)

2.2 Capital Structure

The following tables represent the Bank's and the Group's capital positions. Details on capital resources, including share capital, irredeemable (non-cumulative) convertible preference shares ("ICPS"), share premium and reserves are found in Note 26 and 27 of the audited financial statements. Details on the terms and conditions of subordinated obligations are contained in Note 25 of the audited financial statements.

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>CET I Capital</u>				
Paid-up share capital	796,517	596,517	796,517	596,517
Share premium	401,517	201,517	401,517	201,517
Retained profits	1,881,187	1,840,384	2,005,815	1,957,952
Statutory reserves	722,368	601,561	1,069,665	929,055
Revaluation reserves	43,838	(7,546)	78,232	7,071
Other reserves	-	-	10,018	10,018
	<u>3,845,427</u>	<u>3,232,433</u>	<u>4,361,764</u>	<u>3,702,130</u>
Less: Regulatory adjustment				
- Goodwill and other intangibles	(244,522)	(238,665)	(359,935)	(353,256)
- Deferred tax assets	-	(18,036)	(12,020)	(32,343)
- 55% of revaluation reserve	(24,111)	-	(43,028)	(3,889)
- Investment in subsidiaries and associates	<u>(317,220)</u>	<u>(158,610)</u>	<u>(1,816)</u>	<u>(824)</u>
Total CET I Capital	<u>3,259,574</u>	<u>2,817,122</u>	<u>3,944,965</u>	<u>3,311,818</u>
<u>Tier I Capital</u>				
ICPS	-	3,200	-	3,200
Share premium	-	316,800	-	316,800
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total additional Tier I Capital	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total Tier I Capital	<u>3,259,574</u>	<u>3,137,122</u>	<u>3,944,965</u>	<u>3,631,818</u>
<u>Tier II Capital</u>				
Subordinated obligations	419,581	479,082	419,581	479,082
Collective assessment allowance	189,112	170,942	232,171	204,226
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	<u>(475,830)</u>	<u>(634,440)</u>	<u>(2,725)</u>	<u>(3,297)</u>
Total Tier II Capital	<u>132,863</u>	<u>15,584</u>	<u>649,027</u>	<u>680,011</u>
Total Capital	<u>3,392,437</u>	<u>3,152,706</u>	<u>4,593,992</u>	<u>4,311,829</u>

2.0 Capital (contd.)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank and the Group:

BANK 2015 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,735,295	6,735,295	-	-
Public sector entities	40,618	40,618	8,124	650
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	3,253,470	3,253,470	965,979	77,278
Insurance companies, securities firms and fund managers	32,191	32,191	32,191	2,575
Corporates	11,652,264	10,681,988	8,874,352	709,948
Regulatory retail	12,653,987	11,510,873	8,810,642	704,851
Residential mortgages	7,345,901	7,339,140	3,411,504	272,920
Higher risk assets	2,232	2,222	3,333	267
Other assets	584,711	584,711	268,657	21,493
Equity exposures	94,386	94,386	94,394	7,552
Defaulted exposures	173,309	172,021	206,897	16,552
Total on-balance sheet exposures	<u>42,568,364</u>	<u>40,446,915</u>	<u>22,676,073</u>	<u>1,814,086</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,184,882	4,177,060	3,645,885	291,671
Derivative financial instruments	242,448	242,448	134,745	10,780
Defaulted exposures	9,607	9,606	14,409	1,153
Total off-balance sheet exposures	<u>4,436,937</u>	<u>4,429,114</u>	<u>3,795,039</u>	<u>303,604</u>
Total on and off-balance sheet exposures	<u>47,005,301</u>	<u>44,876,029</u>	<u>26,471,112</u>	<u>2,117,690</u>
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	14,082	(9,275)	4,328	346
Foreign currency risk	121,456	(885)	121,450	9,716
Total	<u>135,538</u>	<u>(10,160)</u>	<u>125,778</u>	<u>10,062</u>
(iii) Operational Risk				
	-	-	2,271,723	181,737
Total	<u>47,005,301</u>	<u>44,876,029</u>	<u>28,868,613</u>	<u>2,309,489</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements

GROUP 2015 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,192,594	9,192,594	-	-
Public sector entities	40,618	40,618	8,124	650
Banks, DFIs and MDBs	3,168,773	3,168,773	727,157	58,173
Insurance companies, securities firms and fund managers	40,237	40,237	40,237	3,219
Corporates	13,908,413	12,779,484	10,473,451	837,879
Regulatory retail	16,061,231	14,861,847	11,346,500	907,720
Residential mortgages	8,952,218	8,945,015	4,205,255	336,420
Higher risk assets	2,250	2,240	3,360	269
Other assets	785,633	785,633	477,924	38,234
Equity exposures	140,222	140,222	140,230	11,218
Defaulted exposures	207,684	206,266	246,876	19,750
Total on-balance sheet exposures	<u>52,499,873</u>	<u>50,162,929</u>	<u>27,669,114</u>	<u>2,213,532</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,846,211	4,836,099	4,184,252	334,740
Derivative financial instruments	242,448	242,448	134,745	10,780
Defaulted exposures	15,468	15,458	23,187	1,855
Total off-balance sheet exposures	<u>5,104,127</u>	<u>5,094,005</u>	<u>4,342,184</u>	<u>347,375</u>
Total on and off-balance sheet exposures	<u>57,604,000</u>	<u>55,256,934</u>	<u>32,011,298</u>	<u>2,560,907</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	14,082	(9,275)	4,328	346
Foreign currency risk	121,456	(885)	121,450	9,716
Total	135,538	(10,160)	<u>125,778</u>	<u>10,062</u>
(iii) <u>Operational Risk</u>	-	-	2,770,484	221,639
Total	<u>57,604,000</u>	<u>55,256,934</u>	<u>34,907,560</u>	<u>2,792,608</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements (contd.)

<u>BANK</u> 2014 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,519,686	6,519,686	-	-
Public sector entities	-	-	-	-
Banks, DFIs and MDBs	2,779,818	2,779,818	866,849	69,348
Insurance companies, securities firms and fund managers	3,456	3,456	3,456	276
Corporates	10,639,608	9,697,859	7,815,569	625,246
Regulatory retail	10,740,445	9,546,852	7,174,584	573,967
Residential mortgages	7,096,161	7,088,222	3,110,812	248,865
Higher risk assets	6,086	6,076	9,114	729
Other assets	574,333	574,333	271,782	21,743
Equity exposures	100,122	100,122	106,834	8,547
Defaulted exposures	181,562	181,342	210,503	16,840
Total on-balance sheet exposures	<u>38,641,277</u>	<u>36,497,766</u>	<u>19,569,503</u>	<u>1,565,561</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,288,548	4,281,652	3,643,075	291,446
Derivative financial instruments	177,037	177,037	62,744	5,020
Defaulted exposures	5,220	5,220	7,835	627
Total off-balance sheet exposures	<u>4,470,805</u>	<u>4,463,909</u>	<u>3,713,654</u>	<u>297,093</u>
Total on and off-balance sheet exposures	<u>43,112,082</u>	<u>40,961,675</u>	<u>23,283,157</u>	<u>1,862,654</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	116,802	(1,988)	27,689	2,215
Foreign currency risk	173,925	-	173,925	13,914
Total	290,727	(1,988)	201,614	16,129
(iii) <u>Operational Risk</u>	-	-	2,156,708	172,537
Total	<u>43,112,082</u>	<u>40,961,675</u>	<u>25,641,479</u>	<u>2,051,320</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements (contd.)

GROUP 2014 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	8,942,862	8,942,862	-	-
Public sector entities	-	-	-	-
Banks, DFIs and MDBs	3,070,885	3,070,885	671,679	53,734
Insurance companies, securities firms and fund managers	3,467	3,467	3,467	277
Corporates	12,571,696	11,426,766	9,066,484	725,319
Regulatory retail	13,121,711	11,884,568	8,942,193	715,375
Residential mortgages	8,568,240	8,559,717	3,804,668	304,373
Higher risk assets	6,129	6,119	9,179	734
Other assets	704,025	704,025	401,473	32,118
Equity exposures	141,111	141,111	147,824	11,826
Defaulted exposures	226,522	226,270	261,486	20,919
Total on-balance sheet exposures	47,356,648	44,965,790	23,308,453	1,864,675
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,877,590	4,869,454	4,104,243	328,339
Derivative financial instruments	177,037	177,037	62,744	5,020
Defaulted exposures	5,886	5,886	8,815	705
Total off-balance sheet exposures	5,060,513	5,052,377	4,175,802	334,064
Total on and off-balance sheet exposures	52,417,161	50,018,167	27,484,255	2,198,739
(ii) Market Risk (Note 4.0)				
Interest rate risk	116,802	(1,988)	27,689	2,215
Foreign currency risk	173,925	-	173,925	13,914
Total	290,727	(1,988)	201,614	16,129
(iii) Operational Risk	-	-	2,676,791	214,143
Total	52,417,161	50,018,167	30,362,660	2,429,011

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

3.0 Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. Credit risk arises mainly from lending/financing activities and trading/holding of debt securities.

Credit Risk Management

The Board, via the Group Risk Management Committee ("GRMC"), established a Credit Risk Management Framework ("CRMF") which outlines the principles for managing credit risk in the Group. The CRMF covers the credit approving structure, risk policies framework, the credit process, collateral management, review, portfolio risk management, collection, problem credit management, rating, infrastructure, and stress tests.

Credit approval authority is delegated to underwriters based on their experience and seniority. Credit granting decisions are based on expert judgment supplemented with credit ratings; risk reward is a major consideration in loan pricing. Larger loans are approved by the Management Credit Committee. Policy loans are subject to concurrence by the Executive Committee.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. Loans with signs of problem will be managed under the Early Warning Framework. Recovery of impaired loans are carried out by specialists independent of the lines of business.

Portfolio Review Committee for the respective lines of business, assisted by embedded business risk units, manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Group Risk Management and business risk units are responsible to assess adequacy and effectiveness of the risk management framework, policies and guidelines.

Stress testing is used to ascertain the size of probable losses under a range of scenarios for the loan portfolio and the impact to bottom lines and capital. These stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and effective mitigating actions when required.

The Credit Review Unit under Group Internal Audit reviews the credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes, guidelines and limits are adhered to.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the judgmental or mandatory triggers are activated.

Individual assessments are performed on impaired accounts with principal outstanding of RM1 million and above. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loan portfolios are then collectively assessed for impairment allowance provision.

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's and the Group's major type of gross credit exposure by geographical distribution. Exposure are allocated to the region in which the customer is located and are disclosed before taking account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

BANK 2015	Geographical region				
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000
Cash and short-term funds	-	2,135,629	-	-	-
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-
Financial assets held-for-trading	-	10,037	-	-	-
Financial investments available-for-sale	-	7,787,813	-	-	-
Financial investments held-to-maturity	-	714,915	-	-	-
Derivative financial assets	-	132,460	-	-	-
Loans, advances and financing	1,955,522	21,878,063	3,176,935	2,166,974	636,646
Total on-balance sheet	1,955,522	32,957,084	3,176,935	2,166,974	636,646
Financial guarantees	53,656	410,092	33,184	28,813	10,394
Credit related commitments and contingencies	782,540	8,778,288	890,309	665,452	181,593
Total off-balance sheet	836,196	9,188,380	923,493	694,265	191,987
Total credit exposure	2,791,718	42,145,464	4,100,428	2,861,239	828,633

GROUP 2015	Geographical region				
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000
Cash and short-term funds	-	2,382,645	-	-	-
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-
Balances due from clients and brokers	22,911	74,391	5,441	-	-
Financial assets held-for-trading	-	10,037	-	-	-
Financial investments available-for-sale	-	9,613,634	-	-	-
Financial investments held-to-maturity	-	1,319,035	-	-	-
Derivative financial assets	-	132,460	-	-	-
Loans, advances and financing	2,364,214	26,571,955	4,210,361	2,609,284	776,291
Total on-balance sheet	2,387,125	40,402,324	4,215,802	2,609,284	776,291
Financial guarantees	72,877	475,120	43,594	32,894	10,394
Credit related commitments and contingencies	928,200	9,882,642	1,076,947	1,112,765	252,974
Total off-balance sheet	1,001,077	10,357,762	1,120,541	1,145,659	263,368
Total credit exposure	3,388,202	50,760,086	5,336,343	3,754,943	1,039,659

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(a) Geographical Distribution (contd.)

BANK 2014	Geographical region				
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000
Cash and short-term funds	-	1,540,445	-	-	-
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-
Financial assets held-for-trading	-	110,172	-	-	-
Financial investments					
available-for-sale	-	7,438,485	-	-	-
Financial investments held-to-maturity	-	710,730	-	-	-
Derivative financial assets	-	39,677	-	-	-
Loans, advances and financing	1,660,084	20,205,212	2,500,507	1,791,852	379,673
Total on-balance sheet	1,660,084	30,700,026	2,500,507	1,791,852	379,673
Financial guarantees	65,940	394,198	32,349	34,601	6,189
Credit related commitments and contingencies	673,116	9,200,454	957,994	675,719	141,508
Total off-balance sheet	739,056	9,594,652	990,343	710,320	147,697
Total credit exposure	2,399,140	40,294,678	3,490,850	2,502,172	527,370

GROUP 2014	Geographical region				
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000
Cash and short-term funds	-	1,827,207	-	-	-
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-
Balances due from clients and brokers	19,898	50,663	5,704	-	-
Financial assets held-for-trading	-	110,172	-	-	-
Financial investments					
available-for-sale	-	9,597,649	-	-	-
Financial investments held-to-maturity	-	1,320,122	-	-	-
Derivative financial assets	-	39,677	-	-	-
Loans, advances and financing	1,959,329	24,044,481	3,182,327	2,152,994	449,810
Total on-balance sheet	1,979,227	37,645,276	3,188,031	2,152,994	449,810
Financial guarantees	85,718	439,205	41,772	37,965	6,189
Credit related commitments and contingencies	773,886	10,147,196	1,105,974	1,161,770	181,841
Total off-balance sheet	859,604	10,586,401	1,147,746	1,199,735	188,030
Total credit exposure	2,838,831	48,231,677	4,335,777	3,352,729	637,840

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(b) Industry Distribution

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Residential mortgage	Motor vehicle financing	Other consumer loans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK									
2015									
Cash and short-term funds	694,538	1,441,091	-	-	-	-	-	-	2,135,629
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	-	298,167
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	-	10,037
Financial investments available-for-sale	4,160,080	2,876,820	253,331	305,182	121,143	-	-	71,257	7,787,813
Financial investments held-to-maturity	714,578	337	-	-	-	-	-	-	714,915
Derivative financial assets	-	61,004	-	-	-	-	-	71,456	132,460
Loans, advances and financing	-	3,973,410	188,195	7,374,679	456,952	12,523,527	433,486	4,863,891	29,814,140
Total on-balance sheet	5,569,196	8,650,829	446,533	7,679,861	583,125	12,523,527	433,486	5,006,604	40,893,161
Financial guarantees	-	116,003	24,423	335,941	20,385	-	-	39,387	536,139
Credit related commitments and contingencies	-	1,214,737	76,195	2,936,046	1,259,578	2,890,881	449	2,920,296	11,298,182
Total off-balance sheet	-	1,330,740	100,618	3,271,987	1,279,963	2,890,881	449	2,959,683	11,834,321
Total credit risk	5,569,196	9,981,569	547,151	10,951,848	1,863,088	15,414,408	433,935	7,966,287	52,727,482
GROUP									
2015									
Cash and short-term funds	978,808	1,403,837	-	-	-	-	-	-	2,382,645
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	-	298,167
Balances due from clients and brokers	-	-	-	-	-	-	-	102,743	102,743
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	-	10,037
Financial investments available-for-sale	5,431,621	3,195,943	370,689	362,298	166,556	-	-	86,527	9,613,634
Financial investments held-to-maturity	1,309,191	4,745	5,099	-	-	-	-	-	1,319,035
Derivative financial assets	-	61,004	-	-	-	-	-	71,456	132,460
Loans, advances and financing	-	4,612,209	224,525	9,109,575	570,940	15,044,110	1,066,851	5,903,895	36,532,105
Total on-balance sheet	7,719,620	9,575,905	605,320	9,471,873	742,526	15,044,110	1,066,851	6,164,621	50,390,826
Financial guarantees	-	118,636	24,434	409,048	42,940	-	-	39,821	634,879
Credit related commitments and contingencies	-	1,611,298	83,091	3,685,935	1,423,028	3,138,597	892	3,310,687	13,253,528
Total off-balance sheet	-	1,729,934	107,525	4,094,983	1,465,968	3,138,597	892	3,350,508	13,888,407
Total credit risk	7,719,620	11,305,839	712,845	13,566,856	2,208,494	18,182,707	1,067,743	9,515,129	64,279,233

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(b) Industry Distribution (contd.)

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (contd.).

BANK	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Residential mortgage	Motor vehicle financing	Other consumer loans	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	401,878	1,138,567	-	-	-	-	-	-	1,540,445
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-	-	-	-	655,305
Financial assets held-for-trading	110,172	-	-	-	-	-	-	-	110,172
Financial investments available-for-sale	4,454,365	2,220,466	221,981	350,399	120,123	-	-	71,151	7,438,485
Financial investments held-to-maturity	710,393	337	-	-	-	-	-	-	710,730
Derivative financial assets	-	39,533	-	-	-	-	-	144	39,677
Loans, advances and financing	-	3,135,367	125,277	6,990,043	354,012	10,861,757	496,012	4,574,860	26,537,328
Total on-balance sheet	5,676,808	7,189,575	347,258	7,340,442	474,135	10,861,757	496,012	4,646,155	37,032,142
Financial guarantees	-	115,081	23,187	332,592	24,355	-	-	38,062	533,277
Credit related commitments and contingencies	-	1,152,769	62,754	2,701,328	1,111,276	3,724,320	-	2,896,344	11,648,791
Total off-balance sheet	-	1,267,850	85,941	3,033,920	1,135,631	3,724,320	-	2,934,406	12,182,068
Total credit risk	5,676,808	8,457,425	433,199	10,374,362	1,609,766	14,586,077	496,012	7,580,561	49,214,210
GROUP									
2014									
Cash and short-term funds	725,104	1,102,103	-	-	-	-	-	-	1,827,207
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-	-	-	-	655,305
Balances due from clients and brokers	-	-	-	-	-	-	-	76,265	76,265
Financial assets held-for-trading	110,172	-	-	-	-	-	-	-	110,172
Financial investments available-for-sale	5,719,636	2,930,976	314,859	400,574	145,207	-	-	86,397	9,597,649
Financial investments held-to-maturity	1,314,596	389	5,137	-	-	-	-	-	1,320,122
Derivative financial assets	-	39,533	-	-	-	-	-	144	39,677
Loans, advances and financing	-	3,541,246	144,508	8,216,445	411,478	13,094,472	850,571	5,530,221	31,788,941
Total on-balance sheet	7,869,508	8,269,552	464,504	8,617,019	556,685	13,094,472	850,571	5,693,027	45,415,338
Financial guarantees	-	117,711	23,258	406,556	24,873	-	-	38,451	610,849
Credit related commitments and contingencies	-	1,364,871	65,231	3,302,864	1,152,402	4,173,541	1,193	3,310,565	13,370,667
Total off-balance sheet	-	1,482,582	88,489	3,709,420	1,177,275	4,173,541	1,193	3,349,016	13,981,516
Total credit risk	7,869,508	9,752,134	552,993	12,326,439	1,733,960	17,268,013	851,764	9,042,043	59,396,854

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,443,337	-	-	-	-	2,443,337
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Financial investments	493,427	232,399	210,486	185,170	7,485,669	8,607,151
Loans, advances and financing	4,665,869	1,087,894	647,632	88,284	23,364,174	29,853,853
Other asset balances	72,131	48,312	58,425	23,673	2,522,974	2,725,515
Total on-balance sheet exposure	7,674,764	1,442,706	1,140,609	297,127	33,372,817	43,928,023

<u>GROUP</u>						
2015						
Cash and short-term funds	2,690,353	-	-	-	-	2,690,353
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Balances due from clients and brokers	87,182	-	-	-	15,561	102,743
Financial investments	763,802	749,459	432,250	343,373	8,794,044	11,082,928
Loans, advances and financing	5,885,695	1,380,795	910,036	281,555	28,107,951	36,566,032
Other asset balances	59,733	48,392	58,544	23,913	2,204,032	2,394,614
Total on-balance sheet exposure	9,486,765	2,252,747	1,624,896	648,841	39,121,588	53,134,837

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(c) Residual Contractual Maturity (contd.)

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group (contd.):

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,842,996	-	-	-	-	1,842,996
Deposits and placements with banks and other financial institutions	-	557,025	98,280	-	-	655,305
Financial investments	103,420	163,690	17,166	85,403	7,989,830	8,359,509
Loans, advances and financing	5,372,542	1,467,692	940,297	633,463	18,168,786	26,582,780
Other asset balances	78,282	28,006	9,911	10,076	2,483,964	2,610,239
Total on-balance sheet exposure	7,397,240	2,216,413	1,065,654	728,942	28,642,580	40,050,829
<u>GROUP</u>						
2014						
Cash and short-term funds	2,129,759	-	-	-	-	2,129,759
Deposits and placements with banks and other financial institutions	-	557,025	98,280	-	-	655,305
Balances due from clients and brokers	61,181	-	-	-	15,084	76,265
Financial investments	463,411	855,276	119,305	195,634	9,535,428	11,169,054
Loans, advances and financing	6,268,997	1,756,711	1,128,447	793,453	21,871,383	31,818,991
Other asset balances	40,035	28,031	9,950	10,154	2,108,354	2,196,524
Total on-balance sheet exposure	8,963,383	3,197,043	1,355,982	999,241	33,530,249	48,045,898

3.0 Credit Risk (contd.)

3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	711,650	730,271	935,615	947,287
Past due > 1 - 2 months	183,659	157,024	242,781	211,398
Past due > 2 - 3 months	15,763	16,845	26,018	26,309
	<u>911,072</u>	<u>904,140</u>	<u>1,204,414</u>	<u>1,184,994</u>

Past due loans, advances and financing analysed by sector are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services	16,591	22,313	21,613	23,965
Transport, storage & communication	6,801	5,436	7,773	6,108
Agriculture, manufacturing, wholesale & retail trade	86,645	80,944	108,545	92,202
Construction	14,198	20,681	16,708	22,935
Residential mortgage	468,082	486,728	555,170	587,501
Motor vehicle financing	81,721	94,388	168,202	154,249
Other consumer loans	237,034	193,650	326,403	298,034
	<u>911,072</u>	<u>904,140</u>	<u>1,204,414</u>	<u>1,184,994</u>

Past due loans, advances and financing analysed by significant geographical areas:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Northern region	80,824	74,945	106,147	86,340
Central region	586,054	639,210	769,635	848,092
Southern region	156,976	119,140	217,718	163,405
Sabah region	72,174	57,123	92,297	70,723
Sarawak region	15,044	13,722	18,617	16,434
	<u>911,072</u>	<u>904,140</u>	<u>1,204,414</u>	<u>1,184,994</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services	5,766	15,853	5,931	16,366
Transport, storage & communication	9,692	9,742	10,238	10,263
Agriculture, manufacturing, wholesale & retail trade	52,773	70,754	60,960	112,805
Construction	13,136	17,239	16,265	20,650
Residential mortgage	196,618	193,419	229,917	218,566
Motor vehicle financing	2,897	5,098	6,636	8,230
Other consumer loans	40,615	41,775	50,765	55,901
	321,497	353,880	380,712	442,781

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	<u>Individual impairment allowance</u>	<u>Collective impairment allowance</u>	<u>Individual impairment net charge for the year</u>	<u>Individual impairment write-off for the year</u>
<u>BANK</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2015				
Financial, insurance & business services	630	26,008	(792)	(65)
Transport, storage & communication	9,527	2,387	(8)	-
Agriculture, manufacturing, wholesale & retail trade	17,642	136,944	8,895	(26,791)
Construction	8,597	6,079	(1,898)	-
Residential mortgage	8,262	63,936	2,069	(2,713)
Motor vehicle financing	-	5,751	-	-
Other consumer loans	1,533	37,494	893	(319)
	46,191	278,599	9,159	(29,888)
<u>GROUP</u>				
2015				
Financial, insurance & business services	672	30,763	(792)	(65)
Transport, storage & communication	9,527	2,867	(8)	-
Agriculture, manufacturing, wholesale & retail trade	24,911	155,179	3,866	(39,651)
Construction	10,628	7,129	(1,898)	-
Residential mortgage	8,472	70,728	1,960	(2,713)
Motor vehicle financing	-	12,666	-	-
Other consumer loans	2,093	55,372	347	(1,444)
	56,303	334,704	3,475	(43,873)

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Impairment allowances on impaired loans, advances and financing analysed by sectors (contd.):

<u>BANK</u> 2014	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net charge for the year RM'000	Individual impairment write-off for the year RM'000
Financial, insurance & business services	1,254	22,646	(668)	(410)
Transport, storage & communication	9,536	1,759	1	-
Agriculture, manufacturing, wholesale & retail trade	35,032	119,964	2,955	(22,710)
Construction	10,719	6,573	(577)	(57)
Residential mortgage	8,922	69,947	5,279	(3,248)
Motor vehicle financing	-	6,420	-	-
Other consumer loans	1,818	39,598	(2,364)	(1,147)
	<u>67,281</u>	<u>266,907</u>	<u>4,626</u>	<u>(27,572)</u>
<u>GROUP</u> 2014				
Financial, insurance & business services	1,296	25,113	(668)	(410)
Transport, storage & communication	9,536	2,159	1	-
Agriculture, manufacturing, wholesale & retail trade	60,190	136,076	4,349	(23,558)
Construction	12,750	7,266	(2,058)	(57)
Residential mortgage	9,338	76,323	5,474	(4,177)
Motor vehicle financing	-	10,658	-	-
Other consumer loans	4,049	55,701	(1,485)	(2,453)
	<u>97,159</u>	<u>313,296</u>	<u>5,613</u>	<u>(30,655)</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Impaired loans, advances and financing and the related impairment allowances by geographical areas:

<u>BANK</u> 2015	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Northern region	42,274	10,237	34,237
Central region	221,285	34,394	190,895
Southern region	30,309	-	27,629
Sabah region	23,797	1,560	20,506
Sarawak region	3,832	-	5,332
	<u>321,497</u>	<u>46,191</u>	<u>278,599</u>

GROUP
2015

Northern region	45,294	10,237	39,276
Central region	267,873	44,506	228,965
Southern region	37,759	-	36,115
Sabah region	25,501	1,560	24,103
Sarawak region	4,285	-	6,245
	<u>380,712</u>	<u>56,303</u>	<u>334,704</u>

<u>BANK</u> 2014	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Northern region	53,862	22,410	37,820
Central region	239,862	43,721	177,816
Southern region	27,758	-	28,240
Sabah region	29,543	1,150	18,641
Sarawak region	2,855	-	4,390
	<u>353,880</u>	<u>67,281</u>	<u>266,907</u>

GROUP
2014

Northern region	69,548	35,271	41,687
Central region	304,328	60,208	210,380
Southern region	34,124	530	34,937
Sabah region	31,703	1,150	21,548
Sarawak region	3,078	-	4,744
	<u>442,781</u>	<u>97,159</u>	<u>313,296</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Movements in loans impairment allowances are analysed as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance:				
At beginning of year	67,281	95,282	97,159	128,471
Allowance made during the year (net)	9,159	4,626	3,475	5,613
Amount written-off	(29,888)	(27,572)	(43,873)	(30,655)
Transfers to collective assessment allowance	(361)	(5,055)	(458)	(6,270)
At end of year	<u>46,191</u>	<u>67,281</u>	<u>56,303</u>	<u>97,159</u>
Collective assessment allowance:				
At beginning of year	266,907	295,834	313,296	349,203
Allowance made during the year (net)	51,693	1,886	78,193	11,746
Amount written-off	(40,362)	(35,868)	(57,243)	(53,923)
Transfers from individual assessment allowance	361	5,055	458	6,270
At end of year	<u>278,599</u>	<u>266,907</u>	<u>334,704</u>	<u>313,296</u>

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach

The following tables present the credit exposures by risk-weights and after credit risk mitigation:

	←----- Exposures after netting and credit risk mitigation -----→											
<u>BANK</u>				Insurance							Total	
<u>2015</u>	Sovereigns	Public	Banks,	companies,		Regulatory	Residential	Higher	Other	Equity	exposures	Total
<u>Risk-</u>	/Central	sector	DFIs and	firms and		retail	mortgages	risk	assets	exposures	netting and	Risk-
<u>Weights</u>	<u>banks</u>	<u>entities</u>	<u>MDBs</u>	<u>managers</u>	<u>Corporates</u>			<u>assets</u>	<u>assets</u>		<u>credit risk</u>	<u>Weighted</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	<u>mitigation</u>	<u>Assets</u>
											RM'000	RM'000
0%	6,735,295	-	-	-	424,190	-	-	-	307,709	-	7,467,194	-
20%	-	40,618	2,303,651	-	1,752,367	-	-	-	10,432	-	4,107,068	821,414
35%	-	-	-	-	-	-	4,428,632	-	-	-	4,428,632	1,550,021
50%	-	-	1,105,840	-	45	8,821	2,100,856	-	-	-	3,215,562	1,607,781
75%	-	-	-	-	-	12,815,703	37,034	-	-	-	12,852,737	9,639,552
100%	-	-	-	32,203	10,705,634	766,332	844,711	-	266,570	94,372	12,709,822	12,709,823
150%	-	-	-	-	9,876	80,050	-	5,074	-	14	95,014	142,521
Total exposures	6,735,295	40,618	3,409,491	32,203	12,892,112	13,670,906	7,411,233	5,074	584,711	94,386	44,876,029	26,471,112
Risk-weighted assets by exposures	-	8,124	1,013,650	32,203	11,070,944	10,502,594	3,472,935	7,612	268,657	94,393	26,471,112	
Average risk-weight	-	20%	30%	100%	86%	77%	47%	150%	46%	100%	59%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

GROUP	Exposures after netting and credit risk mitigation										Total exposures after netting and credit risk mitigation	Total Risk-Weighted Assets
	Sovereigns /Central banks	Public sector entities	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Equity exposures		
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,252,594	-	-	-	576,824	-	-	-	307,709	-	10,137,127	-
20%	-	40,618	2,958,563	-	2,198,757	-	-	-	-	-	5,197,938	1,039,588
35%	-	-	-	-	-	-	5,219,495	-	-	-	5,219,495	1,826,823
50%	-	-	366,231	-	45	10,413	2,695,375	-	-	-	3,072,064	1,536,033
75%	-	-	-	-	-	16,270,942	42,854	-	-	-	16,313,796	12,235,346
100%	-	-	-	51,583	12,595,922	860,670	1,076,220	-	477,924	140,208	15,202,527	15,202,528
150%	-	-	-	-	15,257	93,582	-	5,135	-	14	113,988	170,980
Total exposures	9,252,594	40,618	3,324,794	51,583	15,386,805	17,235,607	9,033,944	5,135	785,633	140,222	55,256,934	32,011,298
Risk-weighted assets by exposures	-	8,124	774,828	51,583	13,058,581	13,209,454	4,282,872	7,703	477,924	140,229	32,011,298	
Average risk-weight	-	20%	23%	100%	85%	77%	47%	150%	61%	100%	58%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

	Exposures after netting and credit risk mitigation											
<u>BANK</u>	Sovereigns	Public	Banks,	Insurance				Higher	Other	Equity	Total	Total
2014	/Central	sector	DFIs and	firms and		Regulatory	Residential	risk	assets	exposures	exposures	Risk-
<u>Risk-Weights</u>	<u>banks</u>	<u>entities</u>	<u>MDBs</u>	<u>managers</u>	<u>Corporates</u>	<u>retail</u>	<u>mortgages</u>	<u>assets</u>	<u>assets</u>	<u>exposures</u>	<u>mitigation</u>	<u>Assets</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,519,686	-	-	-	380,300	-	-	-	302,551	-	7,202,537	-
20%	5,145	-	1,880,969	-	1,835,763	-	-	-	-	-	3,721,877	744,377
35%	-	-	-	-	-	-	4,276,497	-	-	-	4,276,497	1,496,774
50%	-	-	1,050,120	-	100,060	10,551	2,008,887	-	-	-	3,169,618	1,584,809
75%	-	-	-	-	-	11,915,068	823,707	-	-	-	12,738,775	9,554,081
100%	-	-	-	7,659	9,240,372	90,108	54,263	-	271,782	86,697	9,750,881	9,750,881
150%	-	-	-	-	18,543	58,541	-	10,982	-	13,424	101,490	152,235
Total exposures	6,524,831	-	2,931,089	7,659	11,575,038	12,074,268	7,163,354	10,982	574,333	100,121	40,961,675	23,283,157
Risk-weighted assets by exposures	1,029	-	901,256	7,659	9,685,368	9,119,496	3,173,261	16,472	271,782	106,834	23,283,157	
Average risk-weight	-	-	31%	100%	84%	76%	44%	150%	47%	107%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

←----- Exposures after netting and credit risk mitigation -----→											
GROUP	Sovereigns	Public	Banks,	Insurance							Total
2014	/Central	sector	Banks,	companies,							exposures
<u>Risk-Weights</u>	<u>banks</u>	<u>entities</u>	<u>DFIs and</u>	<u>Securities</u>	<u>Corporates</u>	<u>Regulatory</u>	<u>Residential</u>	<u>Higher</u>	<u>Other</u>	<u>Equity</u>	after
	RM'000	RM'000	RM'000	firms and	RM'000	retail	mortgages	risk	assets	exposures	netting and
				Fund				assets	assets		credit risk
				managers							mitigation
				RM'000				RM'000	RM'000	RM'000	RM'000
0%	9,002,862	-	-	-	527,706	-	-	-	302,552	-	9,833,120
20%	5,145	-	3,016,646	-	2,248,990	-	-	-	-	-	5,270,781
35%	-	-	-	-	-	-	4,958,585	-	-	-	4,958,585
50%	-	-	205,512	-	101,315	12,359	2,558,423	-	-	-	2,877,609
75%	-	-	-	-	-	14,459,163	1,064,779	-	-	-	15,523,942
100%	-	-	-	7,670	10,683,510	151,413	64,972	-	401,473	127,687	11,436,725
150%	-	-	-	-	20,787	72,127	-	11,067	-	13,424	117,405
Total exposures	9,008,007	-	3,222,158	7,670	13,582,308	14,695,062	8,646,759	11,067	704,025	141,111	50,018,167
Risk-weighted assets by exposures	1,029	-	706,086	7,670	11,215,146	11,110,155	3,878,272	16,600	401,473	147,824	27,484,255
Average risk-weight	-	-	22%	100%	83%	76%	45%	150%	57%	105%	55%
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor ("S&P"), and Moody's and Fitch. In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs"):

BANK **2015**

Exposure Class	Ratings by Approved ECAIs						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		-	6,735,295	-	-	-	6,735,295
Corporates		-	424,190	-	-	-	424,190
		-	7,159,485	-	-	-	7,159,485
(ii) Exposures risk-weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs		413,096	1,348,998	180,048	-	1,467,349	3,409,491
Exposures risk-weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs		-	-	-	-	-	-
		413,096	1,348,998	180,048	-	1,467,349	3,409,491
(iii) Exposures risk-weighted using Corporate long term rating							
Public Sector Entities		40,618	-	-	-	-	40,618
Corporates		1,752,367	-	300	-	11,686,929	13,439,596
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	32,203	32,203
Exposures risk-weighted using Corporate short term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		1,792,985	-	300	-	11,719,132	13,512,417

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

GROUP
2015

Exposure Class	Ratings by Approved ECAs						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)	-	-	9,252,594	-	-	-	9,252,594
Corporates	-	-	576,824	-	-	-	576,824
	-	-	9,829,418	-	-	-	9,829,418
(ii) Exposures risk-weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs	1,100,314	-	1,655,621	180,048	-	388,810	3,324,794
Exposures risk-weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs	-	-	-	-	-	-	-
	1,100,314	-	1,655,621	180,048	-	388,810	3,324,794
(iii) Exposures risk-weighted using Corporate long term rating							
Public Sector Entities	40,618	-	-	-	-	-	40,618
Corporates	2,198,757	-	-	300	-	13,742,112	15,941,170
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	51,583	51,583
Exposures risk-weighted using Corporate short term rating							
Public Sector Entities	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
	2,239,375	-	-	300	-	13,793,695	16,033,371

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

BANK
2014

Exposure Class	Ratings by Approved ECAs						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		-	6,524,831	-	-	-	6,524,831
Public Sector Entities		-	380,300	-	-	-	380,300
		-	6,905,131	-	-	-	6,905,131
(ii) Exposures risk-weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs		477,197	778,013	4,687	-	1,671,192	2,931,089
Exposures risk-weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs		-	-	-	-	-	-
		477,197	778,013	4,687	-	1,671,192	2,931,089
(iii) Exposures risk-weighted using Corporate long term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		1,835,492	100,060	1,210	-	10,202,573	12,139,335
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	7,659	7,659
Exposures risk-weighted using Corporate short term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		1,835,492	100,060	1,210	-	10,210,232	12,146,994

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

GROUP
2014

Exposure Class	Ratings by Approved ECAIs						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		-	9,008,007	-	-	-	9,008,007
Public Sector Entities		-	527,706	-	-	-	527,706
		-	9,535,713	-	-	-	9,535,713
(ii) Exposures risk-weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs		1,056,182	1,334,706	4,687	-	826,583	3,222,158
Exposures risk-weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs		-	-	-	-	-	-
		1,056,182	1,334,706	4,687	-	826,583	3,222,158
(iii) Exposures risk-weighted using Corporate long term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		2,248,720	100,060	1,210	-	11,852,607	14,202,597
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	7,670	7,670
Exposures risk-weighted using Corporate short term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		2,248,720	100,060	1,210	-	11,860,277	14,210,267

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

*Upper Range = Long Term Rating, Lower Range = Short Term Rating

Note:

There is no outstanding securitisation contract at the Bank that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, Basel II adopts more restrictive rules on collaterals that qualify as credit mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

<u>BANK</u> 2015 Exposure Class	Exposure <u>before CRM</u> RM'000	Exposures covered by guarantees/ credit <u>derivatives</u> RM'000	Exposures covered by eligible financial <u>collateral</u> RM'000	Exposures covered by other eligible <u>collateral</u> RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,735,295	-	-	-
Public sector entities	40,618	-	-	-
Banks, DFIs and MDBs	3,253,470	-	-	-
Insurance companies, securities firms and fund managers	32,191	-	-	-
Corporates	11,652,264	-	970,276	-
Regulatory retail	12,653,987	-	1,143,115	-
Residential mortgages	7,345,901	-	6,761	-
Higher risk assets	2,232	-	10	-
Other assets	584,711	-	-	-
Equity exposure	94,386	-	-	-
Defaulted exposures	173,309	-	1,288	-
Total on-balance sheet exposures	<u>42,568,364</u>	<u>-</u>	<u>2,121,450</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	4,427,330	-	7,823	-
Defaulted exposures	9,607	-	-	-
Total off-balance sheet exposures	<u>4,436,937</u>	<u>-</u>	<u>7,823</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>47,005,301</u>	<u>-</u>	<u>2,129,273</u>	<u>-</u>

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

GROUP		Exposures	Exposures	Exposures
2015	Exposure	covered by	covered by	covered by
Exposure Class	before CRM	guarantees/	eligible	other eligible
	RM'000	credit	financial	collateral
		derivatives	collateral	collateral
		RM'000	RM'000	RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,192,594	-	-	-
Public sector entities	40,618	-	-	-
Banks, DFIs and MDBs	3,168,773	-	-	-
Insurance companies, securities firms and fund managers	40,237	-	-	-
Corporates	13,908,413	-	1,128,929	-
Regulatory retail	16,061,231	-	1,199,385	-
Residential mortgages	8,952,218	-	7,202	-
Higher risk assets	2,250	-	10	-
Other assets	785,633	-	-	-
Equity exposure	140,222	-	-	-
Defaulted exposures	207,684	-	1,418	-
Total on-balance sheet exposures	<u>52,499,873</u>	<u>-</u>	<u>2,336,944</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	5,088,659	-	10,114	-
Defaulted exposures	15,468	-	10	-
Total off-balance sheet exposures	<u>5,104,127</u>	<u>-</u>	<u>10,124</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>57,604,000</u>	<u>-</u>	<u>2,347,068</u>	<u>-</u>

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

<u>BANK</u> 2014 Exposure Class	Exposure <u>before CRM</u> RM'000	Exposures covered by guarantees/ credit <u>derivatives</u> RM'000	Exposures covered by eligible financial <u>collateral</u> RM'000	Exposures covered by other eligible <u>collateral</u> RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,519,686	-	-	-
Public sector entities	-	-	-	-
Banks, DFIs and MDBs	2,779,818	-	-	-
Insurance companies, securities firms and fund managers	3,456	-	-	-
Corporates	10,639,608	-	941,749	-
Regulatory retail	10,740,445	-	1,193,594	-
Residential mortgages	7,096,161	-	7,939	-
Higher risk assets	6,086	-	10	-
Other assets	574,333	-	-	-
Equity exposure	100,122	-	-	-
Defaulted exposures	181,562	-	220	-
Total on-balance sheet exposures	<u>38,641,277</u>	<u>-</u>	<u>2,143,512</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,465,585	-	6,896	-
Defaulted exposures	5,220	-	-	-
Total off-balance sheet exposures	<u>4,470,805</u>	<u>-</u>	<u>6,896</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>43,112,082</u>	<u>-</u>	<u>2,150,408</u>	<u>-</u>

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

<u>GROUP</u> <u>2014</u> <u>Exposure Class</u>	<u>Exposure</u> <u>before CRM</u> <u>RM'000</u>	<u>Exposures</u> <u>covered by</u> <u>guarantees/</u> <u>credit</u> <u>derivatives</u> <u>RM'000</u>	<u>Exposures</u> <u>covered by</u> <u>eligible</u> <u>financial</u> <u>collateral</u> <u>RM'000</u>	<u>Exposures</u> <u>covered by</u> <u>other eligible</u> <u>collateral</u> <u>RM'000</u>
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,942,862	-	-	-
Public sector entities	-	-	-	-
Banks, DFIs and MDBs	3,070,885	-	-	-
Insurance companies, securities firms and fund managers	3,467	-	-	-
Corporates	12,571,696	-	1,144,930	-
Regulatory retail	13,121,711	-	1,237,144	-
Residential mortgages	8,568,240	-	8,523	-
Higher risk assets	6,129	-	10	-
Other assets	704,025	-	-	-
Equity exposure	141,111	-	-	-
Defaulted exposures	226,522	-	252	-
Total on-balance sheet exposures	47,356,648	-	2,390,859	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	5,054,627	-	8,134	-
Defaulted exposures	5,886	-	-	-
Total off-balance sheet exposures	5,060,513	-	8,134	-
Total on and off-balance sheet exposures	52,417,161	-	2,398,993	-

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the mark-to-market exposure plus the potential future exposure (add-on factor multiplied by the notional amount). The add-on factors are as stipulated by BNM.

The off-balance sheet exposures and their related counterparty credit risk of the Bank and the Group are as follows:

<u>BANK</u> 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	714,754	-	714,754	714,754
Transaction-related contingent items	596,203	-	298,101	298,101
Short-term self-liquidating trade-related contingencies	140,377	-	28,075	28,075
Irrevocable commitments to extent credit:				
- maturity exceeding one year	3,589,874	-	1,794,937	1,434,673
- maturity not exceeding one year	5,335,806	-	1,067,161	955,738
Unutilised credit card lines	1,457,307	-	291,461	228,952
	<u>11,834,321</u>	<u>-</u>	<u>4,194,489</u>	<u>3,660,293</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	4,794,524	128,181	173,550	113,541
- over one year to three years	69,675	234	4,415	883
- over three years	31,515	-	3,467	1,733
Interest rate related contracts:				
- one year or less	2,085,000	2,205	4,890	1,655
- over one year to three years	828,153	1,030	14,593	3,957
- over three years	1,012,269	810	39,103	11,828
Equity related contracts:				
- one year or less	23,460	-	1,408	637
- over one year to three years	12,780	-	1,022	511
	<u>8,857,376</u>	<u>132,460</u>	<u>242,448</u>	<u>134,745</u>
	<u>20,691,697</u>	<u>132,460</u>	<u>4,436,937</u>	<u>3,795,038</u>

3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

GROUP	Principal	Positive	Credit	Risk-
2015	Amount	Fair Value	Equivalent	Weighted
	RM'000	of Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
Direct credit substitutes	789,038	-	789,038	789,038
Transaction-related contingent items	653,199	-	326,599	326,599
Short-term self-liquidating trade-related contingencies	164,832	-	32,966	32,966
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,189,365	-	2,094,682	1,698,086
- maturity not exceeding one year	6,634,666	-	1,326,933	1,131,797
Unutilised credit card lines	1,457,307	-	291,461	228,952
	<u>13,888,407</u>	<u>-</u>	<u>4,861,679</u>	<u>4,207,438</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	4,794,524	128,181	173,550	113,541
- over one year to three years	69,675	234	4,415	883
- over three years	31,515	-	3,467	1,733
Interest rate related contracts:				
- one year or less	2,085,000	2,205	4,890	1,655
- over one year to three years	828,153	1,030	14,593	3,957
- over three years	1,012,269	810	39,103	11,828
Equity related contracts:				
- one year or less	23,460	-	1,408	637
- over one year to three years	12,780	-	1,022	511
	<u>8,857,376</u>	<u>132,460</u>	<u>242,448</u>	<u>134,745</u>
	<u>22,745,783</u>	<u>132,460</u>	<u>5,104,127</u>	<u>4,342,183</u>

3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

BANK	Principal	Positive	Credit	Risk-
2014	Amount	Fair Value	Equivalent	Weighted
	RM'000	of Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
Direct credit substitutes	425,631	-	425,631	425,631
Transaction-related contingent items	553,277	-	276,638	276,638
Short-term self-liquidating trade-related contingencies	138,220	-	27,644	27,188
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,502,888	-	2,251,444	1,779,146
- maturity not exceeding one year	5,146,454	-	1,029,291	918,737
Unutilised credit card lines	1,415,598	-	283,120	223,570
	<u>12,182,068</u>	<u>-</u>	<u>4,293,768</u>	<u>3,650,910</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	6,859,251	31,700	103,465	34,619
- over one year to three years	32,835	293	2,955	591
- over three years	31,515	-	4,097	819
Interest rate related contracts:				
- one year or less	250,000	161	485	97
- over one year to three years	2,135,000	5,178	27,028	5,406
- over three years	798,376	1,475	34,497	18,167
Equity related contracts:				
- over one year to three years	57,582	870	4,510	3,045
	<u>10,164,559</u>	<u>39,677</u>	<u>177,037</u>	<u>62,744</u>
	<u>22,346,627</u>	<u>39,677</u>	<u>4,470,805</u>	<u>3,713,654</u>
 <u>GROUP</u>				
2014				
<u>Credit-related exposures</u>				
Direct credit substitutes	471,930	-	471,930	471,930
Transaction-related contingent items	590,667	-	295,334	295,334
Short-term self-liquidating trade-related contingencies	169,493	-	33,899	33,442
Irrevocable commitments to extent credit:				
- maturity exceeding one year	5,108,092	-	2,554,046	2,023,308
- maturity not exceeding one year	6,225,736	-	1,245,147	1,065,474
Unutilised credit card lines	1,415,598	-	283,120	223,570
	<u>13,981,516</u>	<u>-</u>	<u>4,883,476</u>	<u>4,113,058</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	6,859,251	31,700	103,465	34,619
- over one year to three years	32,835	293	2,955	591
- over three years	31,515	-	4,097	819
Interest rate related contracts:				
- one year or less	250,000	161	485	97
- over one year to three years	2,135,000	5,178	27,028	5,406
- over three years	798,376	1,475	34,497	18,167
Equity related contracts:				
- over one year to three years	57,582	870	4,510	3,045
	<u>10,164,559</u>	<u>39,677</u>	<u>177,037</u>	<u>62,744</u>
	<u>24,146,075</u>	<u>39,677</u>	<u>5,060,513</u>	<u>4,175,802</u>

4.0 Market Risk

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and in their implied volatilities.

Market Risk Management

The governance structure for market risk management starts with the Board of Directors which has the overall oversight on market risk management and defines the risk philosophy, principles and core policies. The Board is in turn assisted by the Group Risk Management Committee ("GRMC") which is principally responsible for providing oversight on the risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place. At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Financial Markets as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic audit checking/sampling by Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Adoption of the Three Lines of Defence concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Internal Audit functioning as the 3rd Line.
- (v) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in bonds, foreign exchange and interest rate swaps, which are transacted primarily by Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

4.0 Market Risk (contd.)

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are monitored and reported monthly to management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bond, foreign exchange and equities trading portfolios if any.

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	Risk- Weighted Assets RM'000	Capital Requirements RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
2015				
Interest rate risk				
- General interest rate risk	3,064	245	3,064	245
- Specific interest rate risk	1,264	101	1,264	101
	<u>4,328</u>	<u>346</u>	<u>4,328</u>	<u>346</u>
Foreign exchange risk	<u>121,450</u>	<u>9,716</u>	<u>121,450</u>	<u>9,716</u>
	<u>125,778</u>	<u>10,062</u>	<u>125,778</u>	<u>10,062</u>
2014				
Interest rate risk				
- General interest rate risk	27,050	2,164	27,050	2,164
- Specific interest rate risk	639	51	639	51
	<u>27,689</u>	<u>2,215</u>	<u>27,689</u>	<u>2,215</u>
Foreign exchange risk	<u>173,925</u>	<u>13,914</u>	<u>173,925</u>	<u>13,914</u>
	<u>201,614</u>	<u>16,129</u>	<u>201,614</u>	<u>16,129</u>

5.0 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee, Group Risk Management Committee as well as the Board. The responsibilities of the Committees and Board include the following:

- (i) Oversight and implementation of the Operational Risk Management ("ORM") Framework;
- (ii) Establishment of risk appetite and the provision of strategic and specific directions;
- (iii) Regular review of operational risks initiatives, reports and profiles;
- (iv) Addressing operational risk issues; and
- (v) Ensuring compliance with regulatory and internal requirements including disclosures.

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

6.0 Equity Exposures in Banking Book

The Bank and the Group holds equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

The returns from these equities holdings are credited to the Statement of Comprehensive Income and any gains or losses arising from a change in fair value are recognised directly in other comprehensive income or in equity through the Statement of Changes in Equity.

The following table shows the equity exposures in banking book:

	BANK		GROUP	
	Gross credit exposures	Risk-weighted assets	Gross credit exposures	Risk-weighted assets
	RM'000	RM'000	RM'000	RM'000
2015				
Publicly traded				
Holding of equity investments	11	17	11	17
Privately held				
For socio-economic purposes	94,372	94,372	140,208	140,208
Not for socio-economic purposes	3	5	3	5
	<u>94,386</u>	<u>94,394</u>	<u>140,222</u>	<u>140,230</u>
2014				
Publicly traded				
Holding of equity investments	11	17	11	17
Privately held				
For socio-economic purposes	86,697	86,697	127,687	127,687
Not for socio-economic purposes	13,413	20,120	13,413	20,120
	<u>100,121</u>	<u>106,834</u>	<u>141,111</u>	<u>147,824</u>

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
- Publicly traded equity investments	-	-	-	-
- Privately held equity investments	11,224	12,509	11,224	12,509
	<u>11,224</u>	<u>12,509</u>	<u>11,224</u>	<u>12,509</u>
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	-	2	-	2
- Privately held equity investments	(2,870)	3,852	1,976	6,921
	<u>(2,870)</u>	<u>3,854</u>	<u>1,976</u>	<u>6,923</u>

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing of comprehensive IRR/RORBB reporting and review process, which provide aggregate information and sufficient supporting details to enable assessment of the Group's sensitivity to changes in market conditions.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management and Board committees periodically. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (contd.)

The following tables present the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Bank's interest sensitivity gap as at reporting date.

	BANK		GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000
2015				
Impact on net interest income ("NII")				
Ringgit Malaysia	<u>(45,937)</u>	<u>45,937</u>	<u>(49,375)</u>	<u>49,375</u>
Impact on Economic Value ("EV")				
Ringgit Malaysia	<u>(124,570)</u>	<u>124,570</u>	<u>(119,237)</u>	<u>119,237</u>
2014				
Impact on net interest income ("NII")				
Ringgit Malaysia	<u>(30,862)</u>	<u>30,862</u>	<u>(30,433)</u>	<u>30,433</u>
Impact on Economic Value ("EV")				
Ringgit Malaysia	<u>(181,027)</u>	<u>181,027</u>	<u>(158,484)</u>	<u>158,484</u>

Note:

The foreign currency impact on NII/EV are consider insignificant as the exposure is less than 5% of Banking Book assets/liabilities.

8.0 Shariah Governance Disclosures and Profit Sharing Investment Account ("PSIA")

The disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.