

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

Overview

This document discloses Bank Islam Group's ("the Group") quantitative disclosures in accordance with the disclosure requirements as outlined in the Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia ("BNM").

The Group has adopted the Standardised Approach in determining the capital requirements for credit and market risk and has applied the Basic Indicator Approach for operational risk for the Pillar 1 since January 2008. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

In compliance with the Pillar 3 Disclosure Policy, the Pillar 3 Disclosure for the Group is being regularly prepared for two periods: 30 June and 31 December. The Group's Pillar 3 Disclosure will be made available under the Corporate Info section of the Bank's website at www.bankislam.com.my, attached to its annual and the half-yearly financial reports after the notes to the financial statements.

The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

Group	30.06.2017		31.12.2016	
	RISK-WEIGHTED ASSETS	MINIMUM CAPITAL REQUIREMENT AT 8%	RISK-WEIGHTED ASSETS	MINIMUM CAPITAL REQUIREMENT AT 8%
	RM'000	RM'000	RM'000	RM'000
Credit Risk	35,981,893	2,878,551	33,908,778	2,712,702
Less: Credit Risk absorbed by IA	(3,868,834)	(309,507)	(2,566,180)	(205,294)
Market Risk	691,850	55,348	609,931	48,795
Operational Risk	3,092,945	247,436	3,031,801	242,544
Total	35,897,854	2,871,828	34,984,330	2,798,747

Bank	30.06.2017		31.12.2016	
	RISK-WEIGHTED ASSETS	MINIMUM CAPITAL REQUIREMENT AT 8%	RISK-WEIGHTED ASSETS	MINIMUM CAPITAL REQUIREMENT AT 8%
	RM'000	RM'000	RM'000	RM'000
Credit Risk	35,977,999	2,878,240	33,904,311	2,712,345
Less: Credit Risk absorbed by IA	(3,868,834)	(309,507)	(2,566,180)	(205,294)
Market Risk	676,082	54,087	609,931	48,795
Operational Risk	3,075,059	246,005	3,014,802	241,184
Total	35,860,306	2,868,825	34,962,864	2,797,030

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

1. Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial half-year.

2. Capital Adequacy Ratios

Effective 1 January 2016, total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components issued on 13 October 2015. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 capital ratio and total capital ratio are 5.75%, 7.25% and 9.25% respectively for year 2017.

The capital adequacy ratios of the Group and Bank are set out below:

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

	GROUP		BANK	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier 1 (CET 1) Capital Ratio	12.98%	12.40%	12.95%	12.36%
Tier 1 Capital Ratio	12.98%	12.40%	12.95%	12.36%
Total Capital Ratio	16.04%	15.52%	16.02%	15.48%

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2. Capital Adequacy Ratios (continued)

(b) CET 1, Tier I, and Tier II capital components of the Group and of the Bank:

	30.06.2017	
	Group	Bank
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up share capital	2,803,341	2,803,341
Share Premium	-	-
Retained earnings	2,046,930	2,046,928
Other reserves	(153,284)	(153,468)
Less: Deferred tax assets	(38,775)	(38,775)
Less: 55% of fair value	-	-
Less: Investment in subsidiaries	-	(15,525)
Total Common Equity Tier I Capital	4,658,212	4,642,501
Total Additional Tier I Capital	-	-
Total Tier I Capital	4,658,212	4,642,501
Subordinated sukuk	700,000	700,000
Collective assessment allowance [^]	401,414	401,364
Total Tier II Capital	1,101,414	1,101,364
Total Capital	5,759,626	5,743,865

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets.

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2. Capital Adequacy Ratios (continued)

(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2016	
	Group	Bank
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up share capital	2,404,384	2,404,384
Share Premium	264,790	264,790
Retained earnings	523,247	523,959
Other reserves	1,193,045	1,192,822
Less: Deferred tax assets	(48,378)	(48,378)
Less: Investment in subsidiaries	-	(15,525)
Total Common Equity Tier I Capital	4,337,088	4,322,052
Total Additional Tier I Capital	-	-
Total Tier I Capital	4,337,088	4,322,052
Subordinated sukuk	700,000	700,000
Collective assessment allowance [^]	391,782	391,727
Total Tier II Capital	1,091,782	1,091,727
Total Capital	5,428,870	5,413,779

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets.

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2. Capital Adequacy Ratios (continued)

(c) *The breakdown of risk-weighted assets by exposures in each major risk category is as follows:*

(i) *Group*

30 JUNE 2017 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,736,809	3,736,809	-	-
Public Sector Entities	641,522	625,655	326,604	26,128
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	352,157	352,157	71,149	5,692
Corporate	16,091,616	15,346,148	7,546,368	603,709
Regulatory Retail	14,943,082	14,829,437	14,247,591	1,139,807
Residential Mortgages	15,095,633	15,090,664	9,446,818	755,745
Higher Risk Assets	11,147	11,147	16,721	1,337
Other Assets	2,446,936	2,446,936	232,880	18,629
Defaulted Exposures	409,980	381,668	423,668	33,892
Total for On-Balance Sheet Exposures	53,728,882	52,820,621	32,311,799	2,584,939
Off-Balance Sheet Exposures				
Credit-related Exposures	3,972,761	4,550,921	3,575,523	286,043
Derivative Financial Instruments	90,931	90,931	55,790	4,465
Defaulted Exposures	21,799	35,964	38,781	3,104
Total for Off-Balance Sheet Exposures	4,085,491	4,677,816	3,670,094	293,612
Total On and Off-Balance Sheet Exposures	57,814,373	57,498,437	35,981,893	2,878,551
Less: Credit Risk absorbed by IA			(3,868,834)	(309,507)
Market Risk				
	Long Position	Short Position		
Benchmark Rate Risk	5,071,458	(4,448,539)	622,919	251,038
Foreign Exchange Risk	25,681	(440,320)	(414,639)	440,313
Inventory Risk	-	-	499	499
Total Market Risk	5,097,139	(4,888,859)	208,779	691,850
Operational Risk			3,092,945	247,436
Total RWA and Capital Requirements			35,897,854	2,871,828

Note: As at 30 June 2017, the Group did not have any exposures under securitisation.

	Before effect of IA	After effect of IA
CET1 Capital Ratio	11.71%	12.98%
Tier 1 Capital Ratio	11.71%	12.98%
Total Capital Ratio	14.61%	16.04%

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2. Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(i) Group (continued)

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,390,134	5,390,134	-	-
Public Sector Entities	2,718,672	2,705,677	237,542	19,003
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,102,730	1,102,730	181,393	14,511
Corporate	14,148,639	14,022,573	8,245,107	659,609
Regulatory Retail	14,629,753	14,519,386	13,877,865	1,110,229
Residential Mortgages	14,005,484	14,001,390	8,741,181	699,295
Higher Risk Assets	68,091	68,091	102,137	8,171
Other Assets	2,542,621	2,542,622	312,100	24,968
Defaulted Exposures	322,788	312,972	337,438	26,994
Total for On-Balance Sheet Exposures	54,928,912	54,665,575	32,034,763	2,562,780
Off-Balance Sheet Exposures				
Credit-related Exposures	2,071,862	2,037,639	1,767,436	141,396
Derivative Financial Instruments	192,491	192,491	93,278	7,462
Defaulted Exposures	9,235	8,955	13,301	1,064
Total for Off-Balance Sheet Exposures	2,273,588	2,239,085	1,874,015	149,922
Total On and Off-Balance Sheet Exposures	57,202,500	56,904,660	33,908,778	2,712,702
Less: Credit Risk absorbed by IA			(2,566,180)	(205,294)
Market Risk				
	Long Position	Short Position		
Benchmark Rate Risk	3,687,320	(3,117,954)	569,366	174,282
Foreign Exchange Risk	27,707	(434,963)	(407,256)	434,963
Inventory Risk	-	-	686	686
Total Market Risk	3,715,027	(3,552,917)	162,796	609,931
Operational Risk			3,031,801	242,544
Total RWA and Capital Requirements			34,984,330	2,798,747

Note: As at 31 December 2016, the Group did not have any exposures under securitisation.

	Before effect of IA	After effect of IA
CET1 Capital Ratio	11.55%	12.40%
Tier 1 Capital Ratio	11.55%	12.40%
Total Capital Ratio	14.54%	15.52%

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2. Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank

30 JUNE 2017 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,736,809	3,736,809	-	-
Public Sector Entities	641,522	625,655	326,604	26,128
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	351,778	351,778	71,073	5,686
Corporate	16,091,616	15,346,148	7,546,368	603,709
Regulatory Retail	14,943,082	14,829,437	14,247,591	1,139,807
Residential Mortgages	15,095,633	15,090,664	9,446,818	755,745
Higher Risk Assets	11,147	11,147	16,721	1,338
Other Assets	2,444,558	2,444,558	229,062	18,325
Defaulted Exposures	409,980	381,668	423,668	33,893
Total for On-Balance Sheet Exposures	53,726,125	52,817,864	32,307,905	2,584,631
Off-Balance Sheet Exposures				
Credit-related Exposures	3,972,761	4,550,921	3,575,523	286,042
Derivative Financial Instruments	90,931	90,931	55,790	4,464
Defaulted Exposures	21,799	35,964	38,781	3,103
Total for Off-Balance Sheet Exposures	4,085,491	4,677,816	3,670,094	293,609
Total On and Off-Balance Sheet Exposures	57,811,616	57,495,680	35,977,999	2,878,240
Less: Credit Risk absorbed by IA			(3,868,834)	(309,507)
Market Risk				
	Long Position	Short Position		
Benchmark Rate Risk	5,066,288	(4,448,539)	617,749	235,263
Foreign Exchange Risk	25,681	(440,320)	(414,639)	440,320
Inventory Risk	-	-	499	499
Total Market Risk	5,091,969	(4,888,859)	203,609	676,082
Operational Risk			3,075,059	246,005
Total RWA and Capital Requirements			35,860,306	2,868,825

Note: As at 30 June 2017, the Bank did not have any exposures under securitisation.

	Before effect of IA	After effect of IA
CET1 Capital Ratio	11.69%	12.95%
Tier 1 Capital Ratio	11.69%	12.95%
Total Capital Ratio	14.58%	16.02%

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2. Capital Adequacy (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank (continued)

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,390,134	5,390,134	-	-
Public Sector Entities	2,718,672	2,705,677	237,542	19,003
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,102,582	1,102,582	181,363	14,509
Corporate	14,148,639	14,022,573	8,245,107	659,609
Regulatory Retail	14,629,753	14,519,386	13,877,865	1,110,229
Residential Mortgages	14,005,484	14,001,390	8,741,181	699,295
Higher Risk Assets	68,091	68,091	102,137	8,171
Other Assets	2,538,932	2,538,933	307,662	24,613
Defaulted Exposures	322,788	312,972	337,438	26,995
Total for On-Balance Sheet Exposures	54,925,075	54,661,738	32,030,295	2,562,424
Off-Balance Sheet Exposures				
Credit-related Exposures	2,071,862	2,037,640	1,767,437	141,395
Derivative Financial Instruments	192,491	192,491	93,278	7,462
Defaulted Exposures	9,235	8,955	13,301	1,064
Total for Off-Balance Sheet Exposures	2,273,588	2,239,086	1,874,016	149,921
Total On and Off-Balance Sheet Exposures	57,198,663	56,900,824	33,904,311	2,712,345
Less: Credit Risk absorbed by IA			(2,566,180)	(205,294)
Market Risk				
	Long Position	Short Position		
Benchmark Rate Risk	3,687,320	(3,117,954)	569,366	174,282
Foreign Exchange Risk	27,707	(434,963)	(407,256)	434,963
Inventory Risk	-	-	686	686
Total Market Risk	3,715,027	(3,552,917)	162,796	609,931
Operational Risk			3,014,802	241,184
Total RWA and Capital Requirements			34,962,864	2,797,030

Note: As at 31 December 2016, the Bank did not have any exposures under securitisation.

	Before effect of IA	After effect of IA
CET1 Capital Ratio	11.52%	12.36%
Tier 1 Capital Ratio	11.52%	12.36%
Total Capital Ratio	14.51%	15.48%

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3. Credit Risk

3.1 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	GROUP AND BANK	
	30.06.2017	31.12.2016
	RM'000	RM'000
Neither past due nor impaired	40,061,643	38,788,825
Past due but not impaired	694,263	694,173
Impaired	420,745	389,445
	41,176,651	39,872,443
Gross Impaired Financing as a percentage of Gross Financing and Advances	1.02%	0.98%

(a) Neither Past Due Nor Impaired

Financings classified as neither past due nor impaired are financings of which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment of the financing.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	GROUP AND BANK	
	30.06.2017	31.12.2016
	RM'000	RM'000
Excellent to Good	33,159,847	31,981,235
Satisfactory	6,420,630	6,352,707
Fair	481,166	454,883
	40,061,643	38,788,825

Internal rating definition:-

- **Excellent to Good:** Sound financial position of the obligor with no difficulty in meeting its obligations.
- **Satisfactory:** Adequate safety of the obligor meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair:** High risks on payment obligations. Financial performance may continue to deteriorate.

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3. Credit Risk (continued)

3.1 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due But Not Impaired

Financings classified as past due but not impaired are financings of which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by aging analysis:

	GROUP AND BANK	
	30.06.2017	31.12.2016
By ageing	RM'000	RM'000
Month-in-arrears 1	502,773	439,600
Month-in-arrears 2	191,490	254,573
	694,263	694,173

Analysis of the past due but not impaired financing and advances by sector:

	GROUP AND BANK	
	30.06.2017	31.12.2016
	RM'000	RM'000
Primary agriculture	621	7,817
Mining and quarrying	-	-
Manufacturing (including agro-based)	2,125	6,989
Electricity, gas and water	-	-
Wholesale & retail trade, and hotels & restaurants	16,247	5,829
Construction	88,288	49,483
Real estate	3,235	55,855
Transport, storage and communications	3,611	3,903
Finance, insurance and business activities	2,917	1,277
Education, health and others	11,121	3,335
Household sectors	566,098	559,685
Other sectors	-	-
	694,263	694,173

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3. Credit Risk (continued)

3.1 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

Impaired financing by assessment type:

	GROUP AND BANK	
	30.06.2017	31.12.2016
	RM'000	RM'000
Individually Assessed	223,784	203,374
<i>of which:</i>		
<i>Month-in-Arrears 0</i>	<i>17,878</i>	<i>15,614</i>
<i>Month-in-Arrears 1</i>	<i>1,469</i>	<i>240</i>
<i>Month-in-Arrears 2</i>	<i>11,090</i>	<i>7,623</i>
<i>Month-in-Arrears 3 and above</i>	<i>193,347</i>	<i>179,897</i>
Collectively Assessed	196,961	186,071
	420,745	389,445

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3. Credit Risk (continued)

3.1 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

30 JUNE 2017 RM '000	INDIVIDUAL ASSESSMENT ALLOWANCE					COLLECTIVE ASSESSMENT ALLOWANCE AT 30.06.2017	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 30.06.2017
	IMPAIRED FINANCING AT 30.06.2017	INDIVIDUAL ASSESSMENT AS AT 1.01.2017	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT AS AT 30.06.2017		
Primary Agriculture	1,330	1,059	19	-	1,078	5,866	6,944
Mining and Quarrying	-	-	-	-	-	245	245
Manufacturing (including Agro-based)	35,291	24,794	1,180	-	25,974	9,315	35,289
Electricity, Gas and Water	-	-	-	-	-	17,138	17,138
Wholesale & Retail Trade and Restaurants & Hotels	31,433	10,200	2,755	(3,065)	9,890	44,594	54,484
Construction	17,861	3,089	2,478	-	5,567	32,961	38,528
Real Estate	1,483	-	-	-	-	18,592	18,592
Transport, Storage and Communication	11,869	8,531	(4,414)	-	4,117	20,679	24,796
Finance, Insurance and Business Services	68,962	69,709	897	(2,954)	67,652	35,968	103,620
Education, Health and Others	20,755	632	7,569	-	8,201	14,396	22,597
Household Sectors	231,761	10,184	(23)	-	10,161	340,753	350,914
Other Sectors	-	-	-	-	-	-	-
Total	420,745	128,198	10,461	(6,019)	132,640	540,507	673,147

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3. Credit Risk (continued)

3.1 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 DECEMBER 2016 RM '000	INDIVIDUAL ASSESSMENT ALLOWANCE					COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2016	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2016
	IMPAIRED FINANCING AT 31.12.2016	INDIVIDUAL ASSESSMENT AS AT 1.01.2016	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT AS AT 31.12.2016		
Primary Agriculture	1,311	963	96	-	1,059	6,161	7,220
Mining and Quarrying	-	-	-	-	-	368	368
Manufacturing (including Agro-based)	36,739	1,667	24,880	(1,753)	24,794	10,389	35,183
Electricity, Gas and Water	-	-	-	-	-	16,291	16,291
Wholesale & Retail Trade and Restaurants & Hotels	25,651	11,641	(1,441)	-	10,200	44,010	54,210
Construction	13,714	18,377	12,886	(28,174)	3,089	31,281	34,370
Real Estate	-	-	-	-	-	21,891	21,891
Transport, Storage and Communication	15,579	16,693	(8,162)	-	8,531	18,629	27,160
Finance, Insurance and Business Services	70,948	66,504	213	2,992	69,709	32,536	102,245
Education, Health and Others	3,076	2,092	(1,460)	-	632	15,238	15,870
Household Sectors	222,427	6,534	3,650	-	10,184	358,177	368,361
Other Sectors	-	-	-	-	-	-	-
Total	389,445	124,471	30,662	(26,935)	128,198	554,971	683,169

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3. Credit Risk (continued)

3.1 Credit Quality of Gross Financing and Advances (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

30 JUNE 2017 RM '000	GROSS FINANCING	OF WHICH:			
		PAST DUE BUT NOT IMPAIRED FINANCING	IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	19,274,438	362,836	147,235	21,383	276,885
Eastern Region	6,847,989	108,318	120,996	42,105	74,478
Northern Region	5,981,259	99,499	39,588	1,388	78,298
Southern Region	5,890,472	85,576	27,133	1,001	58,782
East Malaysia Region	3,182,493	38,034	85,793	66,764	52,064
Grand Total	41,176,651	694,263	420,745	132,641	540,507

31 DECEMBER 2016 RM '000	GROSS FINANCING	OF WHICH:			
		PAST DUE BUT NOT IMPAIRED FINANCING	IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	18,853,925	334,621	142,841	24,400	283,895
Eastern Region	6,534,376	110,505	92,848	32,750	72,174
Northern Region	5,864,200	89,741	36,299	1,433	79,118
Southern Region	5,499,121	89,657	31,329	758	64,112
East Malaysia Region	3,120,821	69,649	86,128	68,857	55,672
Grand Total	39,872,443	694,173	389,445	128,198	554,971

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures

(a) Geographic Distribution of Credit Exposures

(i) Group

30 JUNE 2017 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM '000	Total RM '000
<u>Credit Risk</u>						
On-Balance Sheet Exposures						
Sovereign/Central Banks	3,736,809	-	-	-	-	3,736,809
Public Sector Entities	257,317	175,094	18,582	190,529	-	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	347,178	404	-	128	4,447	352,157
Corporate	13,826,136	744,344	735,814	521,270	492,306	16,319,870
Regulatory Retail	5,197,300	3,131,378	2,559,782	2,531,994	1,621,274	15,041,728
Residential Mortgages	6,115,770	2,764,431	2,661,951	2,648,229	988,332	15,178,713
Higher Risk Assets	2,838	2,757	3,140	369	2,043	11,147
Other Assets	2,211,790	-	-	-	235,146	2,446,936
Total for On-Balance Sheet Exposures	31,695,138	6,818,408	5,979,269	5,892,519	3,343,548	53,728,882
Off-Balance Sheet Exposures						
Credit-related Exposures	3,991,439	-	-	-	3,121	3,994,560
Derivative Financial Instruments	90,931	-	-	-	-	90,931
Total for Off-Balance Sheet Exposures	4,082,370	-	-	-	3,121	4,085,491
Total On and Off-Balance Sheet Exposures	35,777,508	6,818,408	5,979,269	5,892,519	3,346,669	57,814,373

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 DECEMBER 2016	Central Region	Eastern Region	Northern Region	Southern Region	East Malaysia	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	Region	RM '000
					RM '000	RM '000
<u>Credit Risk</u>						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,390,134	-	-	-	-	5,390,134
Public Sector Entities	2,375,452	189,345	18,236	135,639	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,098,655	695	-	134	3,246	1,102,730
Corporate	11,751,561	714,642	844,319	473,739	535,717	14,319,978
Regulatory Retail	5,108,528	3,054,404	2,493,729	2,475,656	1,574,608	14,706,925
Residential Mortgages	5,682,036	2,559,410	2,497,322	2,413,949	927,042	14,079,759
Higher Risk Assets	59,894	2,429	3,807	407	1,555	68,092
Other Assets	2,542,068	-	-	-	554	2,542,622
Total for On-Balance Sheet Exposures	34,008,328	6,520,925	5,857,413	5,499,524	3,042,722	54,928,912
Off-Balance Sheet Exposures						
Credit-related Exposures	2,077,388	-	-	-	3,709	2,081,097
Derivative Financial Instruments	192,491	-	-	-	-	192,491
Total for Off-Balance Sheet Exposures	2,269,879	-	-	-	3,709	2,273,588
Total On and Off-Balance Sheet Exposures	36,278,207	6,520,925	5,857,413	5,499,524	3,046,431	57,202,500

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank

30 JUNE 2017 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM '000	Total RM '000
<u>Credit Risk</u>						
On-Balance Sheet Exposures						
Sovereign/Central Banks	3,736,809	-	-	-	-	3,736,809
Public Sector Entities	257,317	175,094	18,582	190,529	-	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	346,799	404	-	128	4,447	351,778
Corporate	13,826,136	744,344	735,814	521,270	492,306	16,319,870
Regulatory Retail	5,197,300	3,131,378	2,559,782	2,531,994	1,621,274	15,041,728
Residential Mortgages	6,115,770	2,764,431	2,661,951	2,648,229	988,332	15,178,713
Higher Risk Assets	2,838	2,757	3,140	369	2,043	11,147
Other Assets	2,209,412	-	-	-	235,146	2,444,558
Total for On-Balance Sheet Exposures	31,692,381	6,818,408	5,979,269	5,892,519	3,343,548	53,726,125
Off-Balance Sheet Exposures						
Credit-related Exposures	3,991,439	-	-	-	3,121	3,994,560
Derivative Financial Instruments	90,931	-	-	-	-	90,931
Total for Off-Balance Sheet Exposures	4,082,370	-	-	-	3,121	4,085,491
Total On and Off-Balance Sheet Exposures	35,774,751	6,818,408	5,979,269	5,892,519	3,346,669	57,811,616

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 DECEMBER 2016 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM '000	Total RM '000
<u>Credit Risk</u>						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,390,134	-	-	-	-	5,390,134
Public Sector Entities	2,375,452	189,345	18,236	135,639	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,098,507	695	-	134	3,246	1,102,582
Corporate	11,751,561	714,642	844,319	473,739	535,717	14,319,978
Regulatory Retail	5,108,528	3,054,404	2,493,729	2,475,656	1,574,608	14,706,925
Residential Mortgages	5,682,036	2,559,410	2,497,322	2,413,949	927,042	14,079,759
Higher Risk Assets	59,894	2,429	3,807	407	1,555	68,092
Other Assets	2,538,379	-	-	-	554	2,538,933
Total for On-Balance Sheet Exposures	34,004,491	6,520,925	5,857,413	5,499,524	3,042,722	54,925,075
Off-Balance Sheet Exposures						
Credit-related Exposures	2,077,388	-	-	-	3,709	2,081,097
Derivative Financial Instruments	192,491	-	-	-	-	192,491
Total for Off-Balance Sheet Exposures	2,269,879	-	-	-	3,709	2,273,588
Total On and Off-Balance Sheet Exposures	36,274,370	6,520,925	5,857,413	5,499,524	3,046,431	57,198,663

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

30 JUNE 2017 Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Wholesale & Retail Trade and Restaurant & Hotels	Construction	Real Estate	Transport, Storage & Communication	Finance, Insurance and Business Services	Education, Health and Others	Household Sector	Other Sectors	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	1,658,763	-	-	2,078,046	3,736,809
Public Sector Entities	1,168	-	-	-	-	-	202,178	-	89,654	348,522	-	-	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	138,092	-	532	213,533	352,157
Corporate	407,079	9,301	884,541	2,609,615	1,037,136	2,669,034	1,956,001	1,954,086	4,332,314	308,262	79,121	73,380	16,319,870
Regulatory Retail	14,577	144	25,333	217	91,725	79,544	29,171	12,107	72,210	272,017	14,291,763	152,920	15,041,728
Residential Mortgages	-	788	-	-	-	-	-	-	-	260,239	14,816,429	101,257	15,178,713
Higher Risk Assets	-	-	-	-	-	-	-	-	-	50	11,033	64	11,147
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,446,936	2,446,936
Total for On-Balance Sheet Exposures	422,824	10,233	909,874	2,609,832	1,128,861	2,748,578	2,187,350	1,966,193	6,291,033	1,189,090	29,198,878	5,066,136	53,728,882
Off-Balance Sheet Exposures													
Credit-related Exposures	49,257	13,219	227,371	132,923	193,304	680,576	256,469	134,443	665,710	237,127	302,906	1,101,255	3,994,560
Derivative Financial Instruments	-	-	13	-	22,817	250	-	-	12,186	37,677	-	17,988	90,931
Total for Off-Balance Sheet Exposures	49,257	13,219	227,384	132,923	216,121	680,826	256,469	134,443	677,896	274,804	302,906	1,119,243	4,085,491
Total On and Off-Balance Sheet Exposures	472,081	23,452	1,137,258	2,742,755	1,344,982	3,429,404	2,443,819	2,100,636	6,968,929	1,463,894	29,501,784	6,185,379	57,814,373

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(i) Group (continued)

31 DECEMBER 2016 Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Wholesale & Retail Trade and Restaurant & Hotels	Construction	Real Estate	Transport, Storage & Communication	Finance, Insurance and Business Services	Education, Health and Others	Household Sector	Other Sectors	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,332,810	-	-	2,057,324	5,390,134
Public Sector Entities	-	-	-	-	-	-	200,118	644,887	1,717,950	154,813	904	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	582,553	-	830	519,347	1,102,730
Corporate	390,477	12,886	936,484	2,793,398	1,118,175	2,687,613	1,890,896	1,209,267	2,596,791	407,759	104,974	171,258	14,319,978
Regulatory Retail	11,379	-	17,991	-	65,988	66,504	28,449	9,586	47,052	34,423	14,425,236	317	14,706,925
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	14,079,759	-	14,079,759
Higher Risk Assets	-	-	-	-	-	56,627	-	-	-	-	11,465	-	68,092
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,542,622	2,542,622
Total for On-Balance Sheet Exposures	401,856	12,886	954,475	2,793,398	1,184,163	2,810,744	2,119,463	1,863,740	8,277,156	596,995	28,623,168	5,290,868	54,928,912
Off-Balance Sheet Exposures													
Credit-related Exposures	27,187	10,824	144,431	149,406	143,111	430,738	232,943	79,774	219,651	99,482	539,791	3,759	2,081,097
Derivative Financial Instruments	-	1	3,867	-	33,721	176	9,764	-	8,309	131,027	-	5,626	192,491
Total for Off-Balance Sheet Exposures	27,187	10,825	148,298	149,406	176,832	430,914	242,707	79,774	227,960	230,509	539,791	9,385	2,273,588
Total On and Off-Balance Sheet Exposures	429,043	23,711	1,102,773	2,942,804	1,360,995	3,241,658	2,362,170	1,943,514	8,505,116	827,504	29,162,959	5,300,253	57,202,500

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank

30 JUNE 2017 Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Wholesale & Retail Trade and Restaurant & Hotels	Construction	Real Estate	Transport, Storage & Communication	Finance, Insurance and Business Services	Education, Health and Others	Household Sector	Other Sectors	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	1,658,763	-	-	2,078,046	3,736,809
Public Sector Entities	1,168	-	-	-	-	-	202,178	-	89,654	348,522	-	-	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	138,092	-	532	213,154	351,778
Corporate	407,079	9,301	884,541	2,609,615	1,037,136	2,669,034	1,956,001	1,954,086	4,332,314	308,262	79,121	73,380	16,319,870
Regulatory Retail	14,577	144	25,333	217	91,725	79,544	29,171	12,107	72,210	272,017	14,291,763	152,920	15,041,728
Residential Mortgages	-	788	-	-	-	-	-	-	-	260,239	14,816,429	101,257	15,178,713
Higher Risk Assets	-	-	-	-	-	-	-	-	-	50	11,033	64	11,147
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,444,558	2,444,558
Total for On-Balance Sheet Exposures	422,824	10,233	909,874	2,609,832	1,128,861	2,748,578	2,187,350	1,966,193	6,291,033	1,189,090	29,198,878	5,063,379	53,726,125
Off-Balance Sheet Exposures													
Credit-related Exposures	49,257	13,219	227,371	132,923	193,304	680,576	256,469	134,443	665,710	237,127	302,906	1,101,255	3,994,560
Derivative Financial Instruments	-	-	13	-	22,817	250	-	-	12,186	37,677	-	17,988	90,931
Total for Off-Balance Sheet Exposures	49,257	13,219	227,384	132,923	216,121	680,826	256,469	134,443	677,896	274,804	302,906	1,119,243	4,085,491
Total On and Off-Balance Sheet Exposures	472,081	23,452	1,137,258	2,742,755	1,344,982	3,429,404	2,443,819	2,100,636	6,968,929	1,463,894	29,501,784	6,182,622	57,811,616

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
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3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank (continued)

31 DECEMBER 2016 Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Wholesale & Retail Trade and Restaurant & Hotels	Construction	Real Estate	Transport, Storage & Communication	Finance, Insurance and Business Services	Education, Health and Others	Household Sector	Other Sectors	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,332,810	-	-	2,057,324	5,390,134
Public Sector Entities	-	-	-	-	-	-	200,118	644,887	1,717,950	154,813	904	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	582,553	-	830	519,199	1,102,582
Corporate	390,477	12,886	936,484	2,793,398	1,118,175	2,687,613	1,890,896	1,209,267	2,596,791	407,759	104,974	171,258	14,319,978
Regulatory Retail	11,379	-	17,991	-	65,988	66,504	28,449	9,586	47,052	34,423	14,425,236	317	14,706,925
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	14,079,759	-	14,079,759
Higher Risk Assets	-	-	-	-	-	56,627	-	-	-	-	11,465	-	68,092
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,538,933	2,538,933
Total for On-Balance Sheet Exposures	401,856	12,886	954,475	2,793,398	1,184,163	2,810,744	2,119,463	1,863,740	8,277,156	596,995	28,623,168	5,287,031	54,925,075
Off-Balance Sheet Exposures													
Credit-related Exposures	27,187	10,824	144,431	149,406	143,111	430,738	232,943	79,774	219,651	99,482	539,791	3,759	2,081,097
Derivative Financial Instruments	-	1	3,867	-	33,721	176	9,764	-	8,309	131,027	-	5,626	192,491
Total for Off-Balance Sheet Exposures	27,187	10,825	148,298	149,406	176,832	430,914	242,707	79,774	227,960	230,509	539,791	9,385	2,273,588
Total On and Off-Balance Sheet Exposures	429,043	23,711	1,102,773	2,942,804	1,360,995	3,241,658	2,362,170	1,943,514	8,505,116	827,504	29,162,959	5,296,416	57,198,663

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
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3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(i) Group

30 JUNE 2017 Exposure Class	Up to 1 year RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	972,382	1,872,481	891,946	3,736,809
Public Sector Entities	34,576	125,401	481,545	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	304,016	47,000	1,141	352,157
Corporate	3,878,126	4,542,482	7,899,262	16,319,870
Regulatory Retail	44,203	2,805,150	12,192,375	15,041,728
Residential Mortgages	93,519	93,511	14,991,683	15,178,713
Higher Risk Assets	64	155	10,928	11,147
Other Assets	2,008,957	-	437,979	2,446,936
Total for On-Balance Sheet Exposures	7,335,843	9,486,180	36,906,859	53,728,882
Off-Balance Sheet Exposures				
Credit-related Exposures	1,375,980	1,885,143	733,437	3,994,560
Derivative Financial Instruments	73,545	4,000	13,386	90,931
Total for Off-Balance Sheet Exposures	1,449,525	1,889,143	746,823	4,085,491
Total On and Off-Balance Sheet Exposures	8,785,368	11,375,323	37,653,682	57,814,373

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(i) Group (continued)

31 DECEMBER 2016 Exposure Class	Up to 1 year RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,035,639	1,899,789	454,706	5,390,134
Public Sector Entities	488,347	658,915	1,571,410	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,056,260	45,640	830	1,102,730
Corporate	3,591,596	3,343,479	7,384,903	14,319,978
Regulatory Retail	236,144	2,608,421	11,862,360	14,706,925
Residential Mortgages	6,960	87,388	13,985,411	14,079,759
Higher Risk Assets	-	184	67,908	68,092
Other Assets	2,208,692	-	333,930	2,542,622
Total for On-Balance Sheet Exposures	10,623,638	8,643,816	35,661,458	54,928,912
Off-Balance Sheet Exposures				
Credit-related Exposures	742,597	749,930	588,570	2,081,097
Derivative Financial Instruments	164,023	9,497	18,971	192,491
Total for Off-Balance Sheet Exposures	906,620	759,427	607,541	2,273,588
Total On and Off-Balance Sheet Exposures	11,530,258	9,403,243	36,268,999	57,202,500

BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017

3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank

30 JUNE 2017 Exposure Class	Up to 1 year RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	972,382	1,872,481	891,946	3,736,809
Public Sector Entities	34,576	125,401	481,545	641,522
Banks, Developments Financial Institutions and Multilateral Development Banks	303,637	47,000	1,141	351,778
Corporate	3,878,126	4,542,482	7,899,262	16,319,870
Regulatory Retail	44,203	2,805,150	12,192,375	15,041,728
Residential Mortgages	93,519	93,511	14,991,683	15,178,713
Higher Risk Assets	64	155	10,928	11,147
Other Assets	2,006,579	-	437,979	2,444,558
Total for On-Balance Sheet Exposures	<u>7,333,086</u>	<u>9,486,180</u>	<u>36,906,859</u>	<u>53,726,125</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	1,375,980	1,885,143	733,437	3,994,560
Derivative Financial Instruments	73,545	4,000	13,386	90,931
Total for Off-Balance Sheet Exposures	<u>1,449,525</u>	<u>1,889,143</u>	<u>746,823</u>	<u>4,085,491</u>
Total On and Off-Balance Sheet Exposures	<u>8,782,611</u>	<u>11,375,323</u>	<u>37,653,682</u>	<u>57,811,616</u>

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3. Credit Risk (continued)

3.2 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank (continued)

31 DECEMBER 2016 Exposure Class	Up to 1 year RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,035,639	1,899,789	454,706	5,390,134
Public Sector Entities	488,347	658,915	1,571,410	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,056,112	45,640	830	1,102,582
Corporate	3,591,596	3,343,479	7,384,903	14,319,978
Regulatory Retail	236,144	2,608,421	11,862,360	14,706,925
Residential Mortgages	6,960	87,388	13,985,411	14,079,759
Higher Risk Assets	-	184	67,908	68,092
Other Assets	2,205,003	-	333,930	2,538,933
Total for On-Balance Sheet Exposures	<u>10,619,801</u>	<u>8,643,816</u>	<u>35,661,458</u>	<u>54,925,075</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	742,597	749,930	588,570	2,081,097
Derivative Financial Instruments	164,023	9,497	18,971	192,491
Total for Off-Balance Sheet Exposures	<u>906,620</u>	<u>759,427</u>	<u>607,541</u>	<u>2,273,588</u>
Total On and Off-Balance Sheet Exposures	<u>11,526,421</u>	<u>9,403,243</u>	<u>36,268,999</u>	<u>57,198,663</u>

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3. Credit Risk (continued)

3.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 30 June 2017

Exposures after Netting & Credit Risk Mitigation (CRM)										
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	3,737,366	84,505	-	3,941,640	7,624	-	-	2,214,057	9,985,192	-
20%	-	30,267	397,839	3,200,421	1,865	-	-	-	3,630,392	726,078
35%	-	-	-	-	-	4,802,463	-	-	4,802,463	1,680,862
50%	-	396,399	138,284	3,501,958	419,534	3,130,972	-	-	7,587,147	3,793,574
75%	-	-	-	576,833	2,681,949	4,098,983	-	-	7,357,765	5,518,324
100%	-	268,463	-	7,151,015	12,894,246	3,333,721	-	232,879	23,880,324	23,880,324
150%	-	-	-	91,764	76,343	67,332	19,715	-	255,154	382,731
Total Exposures	3,737,366	779,634	536,123	18,463,631	16,081,561	15,433,471	19,715	2,446,936	57,498,437	35,981,893
RWA by Exposures	-	472,716	148,710	10,112,349	15,230,363	9,755,305	29,572	232,878	35,981,893	
Average Risk Weight	0.0%	60.6%	27.7%	54.8%	94.7%	63.2%	150.0%	9.5%	62.6%	
Deduction from Capital Base										

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3. Credit Risk (continued)

3.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2016

Exposures after Netting & Credit Risk Mitigation (CRM)										
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	5,390,725	2,341,996	197,011	1,979,280	7,162	-	-	2,230,523	12,146,697	-
20%	-	30,166	948,268	2,827,830	2,121	-	-	-	3,808,385	761,677
35%	-	-	-	-	-	4,475,145	-	-	4,475,145	1,566,301
50%	-	209,012	208,267	3,102,440	408,591	2,808,070	-	-	6,736,380	3,368,190
75%	-	-	-	556,065	1,994,360	4,044,612	-	-	6,595,037	4,946,279
100%	-	140,655	3,222	7,113,800	12,373,084	2,953,518	-	312,105	22,896,384	22,896,384
150%	-	-	-	59,656	57,840	53,216	75,920	-	246,632	369,947
Total Exposures	5,390,725	2,721,829	1,356,768	15,639,071	14,843,158	14,334,561	75,920	2,542,628	56,904,660	33,908,778
RWA by Exposures	-	251,194	297,009	9,737,119	14,160,333	9,037,137	113,880	312,105	33,908,778	
Average Risk Weight	0.0%	9.2%	21.9%	62.3%	95.4%	63.0%	150.0%	12.3%	59.6%	
Deduction from Capital Base										

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3. Credit Risk (continued)

3.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(i) As at 30 June 2017

Exposures after Netting & Credit Risk Mitigation (CRM)										
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	3,737,366	84,505	-	3,941,640	7,624	-	-	2,215,498	9,986,633	-
20%	-	30,267	397,460	3,200,421	1,865	-	-	-	3,630,013	726,003
35%	-	-	-	-	-	4,802,463	-	-	4,802,463	1,680,862
50%	-	396,399	138,284	3,501,958	419,534	3,130,972	-	-	7,587,147	3,793,574
75%	-	-	-	576,833	2,681,948	4,098,983	-	-	7,357,764	5,518,323
100%	-	268,463	-	7,151,015	12,894,247	3,333,721	-	229,060	23,876,506	23,876,506
150%	-	-	-	91,764	76,343	67,332	19,715	-	255,154	382,731
Total Exposures	3,737,366	779,634	535,744	18,463,631	16,081,561	15,433,471	19,715	2,444,558	57,495,680	35,977,999
RWA by Exposures	-	472,716	148,634	10,112,349	15,230,363	9,755,304	29,573	229,060	35,977,999	
Average Risk Weight	0.0%	60.6%	27.7%	54.8%	94.7%	63.2%	150.0%	9.4%	62.6%	
Deduction from Capital Base										

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3. Credit Risk (continued)

3.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2016

Exposures after Netting & Credit Risk Mitigation (CRM)										
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	5,390,725	2,341,996	197,011	1,979,280	7,162	-	-	2,231,271	12,147,445	-
20%	-	30,166	948,120	2,827,830	2,121	-	-	-	3,808,237	761,647
35%	-	-	-	-	-	4,475,145	-	-	4,475,145	1,566,301
50%	-	209,012	208,267	3,102,440	408,591	2,808,070	-	-	6,736,380	3,368,190
75%	-	-	-	556,065	1,994,360	4,044,613	-	-	6,595,038	4,946,279
100%	-	140,655	3,222	7,113,800	12,373,084	2,953,518	-	307,668	22,891,947	22,891,947
150%	-	-	-	59,656	57,840	53,216	75,920	-	246,632	369,947
Total Exposures	5,390,725	2,721,829	1,356,620	15,639,071	14,843,158	14,334,562	75,920	2,538,939	56,900,824	33,904,311
RWA by Exposures	-	251,194	296,979	9,737,119	14,160,333	9,037,138	113,880	307,668	33,904,311	
Average Risk Weight	0.0%	9.2%	21.9%	62.3%	95.4%	63.0%	150.0%	12.1%	59.6%	
Deduction from Capital Base										

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3. Credit Risk (continued)

3.4 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

Ratings of Sovereigns and Central Banks by Approved ECAIs							
30 JUNE 2017	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Exposure Class		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<u>On and Off Balance-Sheet</u>							
<u>Credit Exposures</u>							
Sovereign and Central Banks*		-	3,737,366	-	-	-	-
Total		-	3,737,366	-	-	-	-

Ratings of Sovereigns and Central Banks by Approved ECAIs							
31 DECEMBER 2016	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Exposure Class		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<u>On and Off Balance-Sheet</u>							
<u>Credit Exposures</u>							
Sovereign and Central Banks*		-	5,390,725	-	-	-	-
Total		-	5,390,725	-	-	-	-

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

b) Ratings of Corporate by Approved ECAIs

Ratings of Corporate by Approved ECAIs						
30 JUNE 2017	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
Exposure Class		AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off Balance-Sheet</u>						
<u>Credit Exposures</u>						
Public Sector Entities			30,267	-	-	749,367
Insurance Cos, Securities Firms & Fund Manager			-	-	-	-
Corporate			3,311,282	39,516	76,744	15,036,089
Total			3,341,549	39,516	76,744	15,785,456

Ratings of Corporate by Approved ECAIs						
31 DECEMBER 2016	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
Exposure Class		AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off Balance-Sheet</u>						
<u>Credit Exposures</u>						
Public Sector Entities			30,166	-	-	2,691,663
Insurance Cos, Securities Firms & Fund Manager			-	-	-	-
Corporate			2,943,007	48,497	90,565	12,557,002
Total			2,973,173	48,497	90,565	15,248,665

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3. Credit Risk (continued)

3.4 Disclosure of Rated and Unrated Exposures According to Ratings by ECAI (continued)

c) Ratings of Banking Institutions by Approved ECAIs

		Ratings of Banking Institutions by Approved ECAIs					
30 JUNE 2017	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off Balance-Sheet Credit Exposures</u>							
Banks, MDBs, and DFIs		223,958	66	-	-	-	311,720
Total		223,958	66	-	-	-	311,720

		Ratings of Banking Institutions by Approved ECAIs					
31 DECEMBER 2016	External Rating Agency	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off Balance-Sheet Credit Exposures</u>							
Banks, MDBs, and DFIs		770,509	96	-	-	-	586,014
Total		770,509	96	-	-	-	586,014

Note: There are no exposures under Short-term ratings for the period under review.

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3. Credit Risk (continued)

3.5 Credit Risk Mitigation (CRM)

Disclosure of Credit Risk Mitigation (CRM):

30 June 2017 Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial and Non-Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	3,736,809	-	-
Public Sector Entities	641,522	-	36,096
Banks, DFIs and MDBs	351,778	-	-
Corporates	16,091,616	633,626	675,568
Regulatory Retail	14,943,082	8,179	191,584
Residential Mortgages	15,095,633	395	58,906
Higher Risk Assets	11,147	-	-
Other Assets	2,444,558	-	-
Defaulted Exposures	409,980	16,239	53,410
Total for On-Balance Sheet Exposures	53,726,125	658,439	1,015,564
Off-Balance Sheet Exposures			
Credit-related Exposures	3,972,761	14,348	171,557
Derivative Financial Instruments	90,931	-	-
Defaulted Exposures	21,799	-	6,863
Total for Off-Balance Sheet Exposures	4,085,491	14,348	178,420
Total On and Off-Balance Sheet Exposures	57,811,616	672,787	1,193,984

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3. Credit Risk (continued)

3.5 Credit Risk Mitigation (CRM) (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 December 2016 Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial and Non-Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	5,390,134	-	-
Public Sector Entities	2,718,672	-	41,284
Banks, DFIs and MDBs	1,102,582	-	-
Corporates	14,148,639	618,755	639,026
Regulatory Retail	14,629,753	8,901	125,817
Residential Mortgages	14,005,484	397	48,132
Higher Risk Assets	68,091	-	-
Other Assets	2,538,932	-	-
Defaulted Exposures	322,788	2,451	20,027
Total for On-Balance Sheet Exposures	54,925,075	630,504	874,286
Off-Balance Sheet Exposures			
Credit-related Exposures	2,071,862	11,910	78,247
Derivative Financial Instruments	192,491	-	-
Defaulted Exposures	9,235	-	281
Total for Off-Balance Sheet Exposures	2,273,588	11,910	78,528
Total On and Off-Balance Sheet Exposures	57,198,663	642,414	952,814

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3. Credit Risk (continued)

3.6 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 30 June 2017

Nature of Item	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related Exposures</i>				
Direct credit substitutes	2,674,942		2,674,942	1,994,633
Assets sold with recourse	-		-	-
Transaction related contingent items	1,008,030		504,015	475,767
Short term self-liquidating trade related contingencies	336,883		67,377	64,007
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,496,452		748,226	631,417
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	4,686,173		-	-
	<u>10,202,480</u>		<u>3,994,560</u>	<u>3,165,824</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,214,995	21,600	70,611	45,033
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	400,000	2,036	4,834	967
- five years and above	222,202	2,648	15,486	9,791
	<u>3,837,197</u>	<u>26,284</u>	<u>90,931</u>	<u>55,791</u>
Total	<u>14,039,677</u>	<u>26,284</u>	<u>4,085,491</u>	<u>3,221,615</u>

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3. Credit Risk (continued)

3.6 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2016

Nature of Item	Principle Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related Exposures</i>				
Direct credit substitutes	294,460		294,460	293,848
Assets sold with recourse	-		-	-
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	4,639,610		-	-
	<u>9,750,962</u>		<u>2,081,097</u>	<u>1,780,737</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- less than one year	200,000	1,397	200	40
- one year to less than five years	400,000	2,729	9,497	1,899
- five years and above	236,027	3,001	18,971	11,606
Equity related contracts				
- less than one year	-	-	-	-
	<u>3,953,597</u>	<u>124,572</u>	<u>192,491</u>	<u>93,279</u>
Total	<u>13,704,559</u>	<u>124,572</u>	<u>2,273,588</u>	<u>1,874,016</u>

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4. Market Risk

a) Profit Rate Risk in the Non-Trading Portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as Economic Value of Equity (“EVE”) and Earnings-at-Risk (“EaR”). EVE and EaR limits are approved by the BRC and independently monitored by MRMD.

The Group manages market risk in non-trading portfolios by monitoring the sensitivity of projected EVE and EaR under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 basis points parallel fall or rise in profit rate and historical simulation. The scenario assumes no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available.

These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Bank’s profit rate sensitivity gap as at reporting date.

	30 June 2017		31 December 2016	
	(Decrease) / Increase		(Decrease) / Increase	
	-100bps	+100bps	-100bps	+100bps
	RM Million	RM Million	RM Million	RM Million
Bank				
Impact on EaR	(51.81)	51.81	(28.46)	28.46
Impact on EVE	255.20	(255.20)	266.25	(266.25)

Other controls to contain profit rate risk in the non-trading portfolio include applying sensitivity limits to the Available for Sale (“AFS”) financial assets. Sensitivity is measured by the present value of a 1 basis point change (“PV01”).

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4. Market Risk (continued)

b) Market Risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk (“VaR”). VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by the Group is based on historical simulation. The model derives plausible future scenarios from past series of recorded market rates.

The historical simulation model used by the Group incorporates the following features:

- Potential market movements are calculated with reference to data from the past four years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates;
- VaR is calculated to a 99 per cent confidence level and for a one-day holding period. The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions; and
- The dataset is updated on daily basis.

Statistically, the Group would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the model is performing.

A summary of the Bank’s VaR position for the trading portfolios as at the reporting date is as follows:

Bank	30 June 2017	1 January 2017 to 30 June 2017		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	2.44	1.68	3.29	0.59
Foreign Exchange risk	0.15	0.18	0.55	0.01
Overall	2.58	1.87	3.67	0.62

Bank	31 December 2016	1 January 2016 to 31 December 2016		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	1.39	2.09	4.34	0.94
Foreign Exchange risk	0.04	0.13	0.52	0.01
Overall	1.43	2.22	4.81	0.95

4. Market Risk (continued)

b) Market Risk in the Trading Portfolio (continued)

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business day and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Group recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits.

c) Foreign Exchange Risk

Trading Positions

The Group controls the trading portfolio foreign exchange risk by limiting the non-Ringgit open exposure to individual currencies and on an aggregate basis.

Overall (Trading and Non-Trading Positions)

The Group controls the overall foreign exchange risk by limiting the non-Ringgit open exposure on an aggregate basis.

**BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2017**

4. Market Risk (continued)

c) Foreign Exchange Risk (continued)

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

Bank	30 June 2017		31 December 2016	
	-1% Depreciation RM '000	+1% Appreciation RM '000	-1% Depreciation RM '000	+1% Appreciation RM '000
US Dollar	13,968	(13,968)	11,503	(11,503)
Euro	4,601	(4,601)	8,098	(8,098)
Others	516	(516)	(96)	96

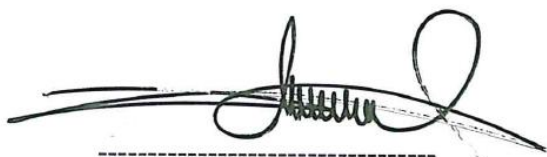
5. Shariah Non-Compliant Income

30 June 2017	31 December 2016
RM3,609.85	RM8,828.95

The above amount consists of commissions from mixed halal/Shariah non-compliant merchants of card business, interest received as well as rental purification from the Group's land that is being used to facilitate *bai' inah* based transaction. The income was channelled to charitable causes upon approval by the Shariah Supervisory Council.

Chief Executive Officer Attestation

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial half-year as at 30 June 2017 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.



Khairul Kamarudin
Chief Executive Officer, Bank Islam Malaysia Berhad