

PILLAR 3 DISCLOSURE AS AT 30 JUNE 2011

1. Overview

The information of Public Bank Group ("the Group") below is disclosed pursuant to the requirements of the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3). Certain information relating to Public Bank Berhad ("the Bank") is presented on a voluntary basis to provide additional information to users.

The minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets are summarised as below:

	30 June 2011		31 December 2010	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	140,553,884	11,244,311	128,486,892	10,278,951
Market Risk	1,608,598	128,688	1,063,445	85,076
Operational Risk	12,104,715	968,377	11,546,113	923,689
Total	154,267,197	12,341,376	141,096,450	11,287,716
Bank				
Credit Risk	116,567,592	9,325,408	106,083,803	8,486,704
Market Risk	2,583,069	206,645	1,788,639	143,091
Operational Risk	8,781,941	702,555	8,446,853	675,748
Total	127,932,602	10,234,608	116,319,295	9,305,543

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.

2. Capital Management

2.1 Capital Adequacy Ratios

- a) The tables below present the capital adequacy ratios of the Group and the Bank which are computed according to RWCAF.

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Before deducting interim dividends:				
Tier I capital ratio	10.2%	10.7%	12.5%	13.2%
Risk-weighted capital ratio	13.7%	14.4%	13.4%	14.1%
After deducting interim dividends:				
Tier I capital ratio	9.7%	10.0%	11.9%	12.4%
Risk-weighted capital ratio	13.2%	13.7%	12.9%	13.3%

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's RWCAF. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (31 December 2010 - 8.0%) for the risk-weighted capital ratio.

- b) The tables below present the capital adequacy ratios of the banking subsidiary companies of the Group.

	Public Islamic Bank Berhad ¹	Public Investment Bank Berhad ²	Public Bank (L) Ltd. ³	Public Bank (Hong Kong) Limited ⁴	Public Finance Limited ⁴	Cambodian Public Bank Plc ⁵
30 June 2011						
Before deducting interim dividends:						
Tier I capital ratio	12.1%	16.1%	19.6%	14.9%	31.1%	N/A
Risk-weighted capital ratio	13.6%	16.3%	20.0%	14.9%	32.2%	21.1%
After deducting interim dividends:						
Tier I capital ratio	10.9%	16.1%	19.6%	14.9%	28.1%	N/A
Risk-weighted capital ratio	12.4%	16.3%	20.0%	14.9%	29.2%	21.1%

2. Capital Management (Cont'd.)

2.1 Capital Adequacy Ratios (Cont'd.)

- b) The tables below present the capital adequacy ratios of the banking subsidiary companies of the Group. (Cont'd.)

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵
31 December 2010						
Before deducting interim dividends:						
Tier I capital ratio	12.6%	19.4%	11.8%	15.2%	31.5%	N/A
Risk-weighted capital ratio	14.2%	19.6%	12.1%	15.2%	32.6%	24.4%
After deducting interim dividends:						
Tier I capital ratio	11.3%	18.2%	11.8%	15.2%	28.2%	N/A
Risk-weighted capital ratio	12.9%	18.4%	12.1%	15.2%	29.3%	24.4%

- ¹ The capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Public Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ² The capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Public Investment Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and risk-weighted capital ratio respectively.
- ⁴ The capital adequacy ratios of these two subsidiary companies, which are located in Hong Kong SAR, are computed in accordance with the Banking (Capital) Rules under section 98A of the Banking Ordinance issued by the Hong Kong Monetary Authority, which is based on the Basel II capital accord. These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

2. Capital Management (Cont'd.)

2.2 Capital Structure

The following tables present the components of Tier I and Tier II capital and deductions from capital for the Group and the Bank.

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Tier I capital				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310	1,073,310
Other reserves	3,787,881	3,787,881	3,508,238	3,508,238
Retained profits	5,474,483	4,754,405	5,313,401	4,641,801
Innovative Tier I capital securities	1,802,191	1,814,538	1,802,191	1,814,538
Non-innovative Tier I stapled securities	2,082,008	2,081,633	2,082,008	2,081,633
Treasury shares	(215,438)	(215,303)	(215,438)	(215,303)
Non-controlling interests	634,590	652,188	-	-
Less: Goodwill	(1,881,841)	(1,903,898)	(695,393)	(695,393)
Less: Deferred tax assets, net	(554,994)	(521,359)	(456,363)	(418,699)
	15,734,116	15,055,321	15,943,880	15,322,051
Tier II capital				
Collective assessment allowance #	2,321,357	2,164,761	1,969,507	1,819,307
Subordinated notes	3,078,091	3,102,012	3,078,091	3,102,012
	5,399,448	5,266,773	5,047,598	4,921,319
Total capital	21,133,564	20,322,094	20,991,478	20,243,370
Less: Investment in subsidiary companies and associated companies	(960)	(960)	(3,787,284)	(3,787,284)
Less: Holdings of other financial institutions' capital instruments	(47,150)	(47,439)	(47,150)	(47,439)
Capital base	21,085,454	20,273,695	17,157,044	16,408,647

Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM139.3 million and RM108.9 million respectively.

3. Credit Risk

3.1 Regulatory Capital Requirement

The following tables present the minimum regulatory capital requirement on credit risk of the Group.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2011				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	36,688,050	28,386,265	126,162	10,093
Public Sector Entities	421,695	421,695	24,210	1,937
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12,273,037	12,273,037	2,809,362	224,749
Insurance Companies, Securities Firms and Fund Managers	233,531	228,760	174,907	13,993
Corporates	41,481,958	40,118,725	35,275,532	2,822,042
Regulatory Retail	81,963,244	81,228,878	61,175,448	4,894,036
Residential Mortgages	42,611,978	42,555,291	19,432,943	1,554,635
Higher Risk Assets	151,100	151,050	226,575	18,126
Other Assets	4,365,167	4,365,167	2,996,324	239,706
Equity Exposures	4,868,554	4,868,554	4,843,796	387,504
Defaulted Exposures	1,644,819	1,629,998	2,275,818	182,065
	226,703,133	216,227,420	129,361,077	10,348,886
Off-Balance Sheet Exposures				
Credit-related Exposures	14,274,074	13,889,531	10,823,772	865,902
Derivative Financial Instruments	899,883	899,883	214,253	17,140
Other Treasury-related Exposures	965,694	965,694	130,457	10,437
Defaulted Exposures	16,345	16,345	24,325	1,946
	16,155,996	15,771,453	11,192,807	895,425
Total Credit Exposures	242,859,129	231,998,873	140,553,884	11,244,311

3. Credit Risk (Cont'd.)

3.1 Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Group.
(Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	44,104,464	44,104,464	90,747	7,260
Public Sector Entities	447,508	447,508	29,364	2,349
Banks, DFIs and MDBs	8,322,852	8,322,852	2,071,255	165,700
Insurance Companies, Securities Firms and Fund Managers	239,194	234,305	203,733	16,299
Corporates	42,392,177	40,587,301	36,398,140	2,911,851
Regulatory Retail	78,591,298	77,940,697	58,453,942	4,676,315
Residential Mortgages	34,676,113	34,623,953	14,172,646	1,133,812
Higher Risk Assets	121,392	121,297	181,945	14,556
Other Assets	3,952,394	3,952,394	2,874,080	229,926
Equity Exposures	4,795,823	4,795,823	4,771,065	381,685
Defaulted Exposures	1,818,833	1,811,878	2,542,324	203,386
	<u>219,462,048</u>	<u>216,942,472</u>	<u>121,789,241</u>	<u>9,743,139</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	9,241,639	8,849,321	6,455,981	516,478
Derivative Financial Instruments	930,694	930,694	216,914	17,353
Other Treasury-related Exposures	7,305	7,305	1,461	117
Defaulted Exposures	15,545	15,545	23,295	1,864
	<u>10,195,183</u>	<u>9,802,865</u>	<u>6,697,651</u>	<u>535,812</u>
Total Credit Exposures	<u><u>229,657,231</u></u>	<u><u>226,745,337</u></u>	<u><u>128,486,892</u></u>	<u><u>10,278,951</u></u>

3. Credit Risk (Cont'd.)

3.1 Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Bank.

Exposure Class	Total Exposures Before Credit Risk Mitigation RM'000	Total Exposures After Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2011				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	27,383,937	19,583,852	126,162	10,093
Public Sector Entities	418	418	84	7
Banks, DFIs and MDBs	9,464,192	9,464,192	2,235,631	178,850
Insurance Companies, Securities Firms and Fund Managers	36,469	36,469	7,429	594
Corporates	37,027,251	35,906,266	31,046,440	2,483,715
Regulatory Retail	64,458,216	63,767,584	47,893,808	3,831,505
Residential Mortgages	36,257,351	36,211,838	16,903,312	1,352,265
Higher Risk Assets	119,559	119,541	179,312	14,345
Other Assets	2,964,191	2,964,191	1,847,423	147,794
Equity Exposures	4,338,727	4,338,727	4,313,969	345,118
Defaulted Exposures	1,351,190	1,336,475	1,844,996	147,600
	183,401,501	173,729,553	106,398,566	8,511,886
Off-Balance Sheet Exposures				
Credit-related Exposures	12,951,859	12,671,921	9,861,143	788,891
Derivative Financial Instruments	898,360	898,360	213,946	17,116
Other Treasury-related Exposures	816,080	816,080	75,496	6,040
Defaulted Exposures	12,419	12,419	18,441	1,475
	14,678,718	14,398,780	10,169,026	813,522
Total Credit Exposures	198,080,219	188,128,333	116,567,592	9,325,408

3. Credit Risk (Cont'd.)

3.1 Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Bank.
(Cont'd.)

Exposure Class	Total Exposures Before Credit Risk Mitigation RM'000	Total Exposures After Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	34,362,141	34,362,141	90,748	7,260
Public Sector Entities	371	371	74	6
Banks, DFIs and MDBs	6,840,815	6,840,815	1,848,666	147,893
Insurance Companies, Securities Firms and Fund Managers	36,516	36,516	36,516	2,921
Corporates	37,987,835	36,469,072	32,269,553	2,581,564
Regulatory Retail	60,615,667	60,000,880	44,999,079	3,599,926
Residential Mortgages	29,162,832	29,121,775	12,130,651	970,452
Higher Risk Assets	108,795	108,724	163,085	13,047
Other Assets	2,826,458	2,826,458	1,958,045	156,644
Equity Exposures	4,271,683	4,271,683	4,246,925	339,754
Defaulted Exposures	1,496,847	1,490,043	2,069,180	165,534
	<u>177,709,960</u>	<u>175,528,478</u>	<u>99,812,522</u>	<u>7,985,001</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	8,576,289	8,298,203	6,037,732	483,019
Derivative Financial Instruments	924,236	924,236	215,618	17,249
Other Treasury-related Exposures	3,600	3,600	720	58
Defaulted Exposures	11,489	11,489	17,211	1,377
	<u>9,515,614</u>	<u>9,237,528</u>	<u>6,271,281</u>	<u>501,703</u>
Total Credit Exposures	<u><u>187,225,574</u></u>	<u><u>184,766,006</u></u>	<u><u>106,083,803</u></u>	<u><u>8,486,704</u></u>

3. Credit Risk (Cont'd.)

3.2 Distribution of Credit Exposures

The following tables present the credit exposures of financial assets before the effect of credit risk mitigation, broken down by the relevant category and class of financial assets against the relevant industry, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

The following tables present the credit exposures of financial assets of the Group analysed by industrial distribution.

	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real & Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
30 June 2011									
On-Balance Sheet Exposures									
Cash and balances with banks	17,670,547	8,114,967	-	-	-	-	-	-	25,785,514
Reverse repurchase agreements	8,303,644	-	-	-	-	-	-	-	8,303,644
Financial assets held-for-trading	1,273,812	6,900,555	71,704	-	60,354	-	-	-	8,306,425
Derivative financial assets	-	325,193	-	-	-	-	-	-	325,193
Financial investments available-for-sale	4,132,753	4,899,300	881,440	1,133,541	1,447	-	-	-	11,048,481
Financial investments held-to-maturity	2,932,428	4,150,653	103,280	5,022	65,360	-	-	-	7,256,743
Gross loans, advances and financing	24,355	7,463,418	8,326,716	26,306,254	19,678,500	48,185,448	30,628,439	26,537,235	167,150,365
Statutory deposits with Central Banks	3,710,453	-	-	-	-	-	-	-	3,710,453
	38,047,992	31,854,086	9,383,140	27,444,817	19,805,661	48,185,448	30,628,439	26,537,235	231,886,818
Commitments and Contingencies									
Contingent liabilities	644	187,788	730,262	1,166,037	823,842	-	-	2,960	2,911,533
Commitments	939,785	3,069,524	3,249,160	9,912,306	5,261,483	8,064,187	2,007	10,813,085	41,311,537
	940,429	3,257,312	3,979,422	11,078,343	6,085,325	8,064,187	2,007	10,816,045	44,223,070
Total Credit Exposures	38,988,421	35,111,398	13,362,562	38,523,160	25,890,986	56,249,635	30,630,446	37,353,280	276,109,888

3. Credit Risk (Cont'd.)

3.2 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis(Cont'd.)

The following tables present the credit exposures of financial assets of the Group analysed by industrial distribution. (Cont'd.)

	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
31 December 2010									
On-Balance Sheet Exposures									
Cash and balances with banks	28,397,686	6,292,753	-	-	-	-	-	-	34,690,439
Reverse repurchase agreements	365,877	-	-	-	-	-	-	-	365,877
Financial assets held-for-trading	651,499	5,642,714	868	-	65,539	-	-	-	6,360,620
Derivative financial assets	-	326,622	-	-	-	-	-	-	326,622
Financial investments available-for-sale	10,667,448	4,832,608	1,150,690	1,199,811	1,727	-	-	-	17,852,284
Financial investments held-to-maturity	3,003,234	2,086,961	69,109	5,068	65,245	-	-	-	5,229,617
Gross loans, advances and financing	25,278	6,419,683	6,665,296	25,280,310	19,390,071	46,393,379	29,617,814	22,752,241	156,544,072
Statutory deposits with Central Banks	1,612,575	-	-	-	-	-	-	-	1,612,575
	<u>44,723,597</u>	<u>25,601,341</u>	<u>7,885,963</u>	<u>26,485,189</u>	<u>19,522,582</u>	<u>46,393,379</u>	<u>29,617,814</u>	<u>22,752,241</u>	<u>222,982,106</u>
Commitments and Contingencies									
Contingent liabilities	625	246,745	655,102	1,106,575	884,005	-	-	18,867	2,911,919
Commitments	501,134	4,584,592	3,123,421	10,281,416	4,462,845	7,717,766	364	10,503,441	41,174,979
	<u>501,759</u>	<u>4,831,337</u>	<u>3,778,523</u>	<u>11,387,991</u>	<u>5,346,850</u>	<u>7,717,766</u>	<u>364</u>	<u>10,522,308</u>	<u>44,086,898</u>
Total Credit Exposures	<u>45,225,356</u>	<u>30,432,678</u>	<u>11,664,486</u>	<u>37,873,180</u>	<u>24,869,432</u>	<u>54,111,145</u>	<u>29,618,178</u>	<u>33,274,549</u>	<u>267,069,004</u>

3. Credit Risk (Cont'd.)

3.2 Distribution of Credit Exposures (Cont'd.)

(b) Geographical Analysis

The following tables present the credit exposures of financial assets of the Group analysed by geographical distribution based on the geographical location where the credit risk resides.

	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
30 June 2011					
On-Balance Sheet Exposures					
Cash and balances with banks	21,500,337	2,038,762	533,792	1,712,623	25,785,514
Reverse repurchase agreements	8,303,644	-	-	-	8,303,644
Financial assets held-for-trading	8,306,425	-	-	-	8,306,425
Derivative financial assets	112,411	7,924	-	204,858	325,193
Financial investments available-for-sale	11,036,088	2,640	15	9,738	11,048,481
Financial investments held-to-maturity	5,497,181	459,530	-	1,300,032	7,256,743
Gross loans, advances and financing	153,317,338	11,430,560	1,723,695	678,772	167,150,365
Statutory deposits with Central Banks	3,392,955	-	317,498	-	3,710,453
	211,466,379	13,939,416	2,575,000	3,906,023	231,886,818
Commitments and Contingencies					
Contingent liabilities	2,414,977	128,145	336,315	32,096	2,911,533
Commitments	39,310,688	1,623,498	352,071	25,280	41,311,537
	41,725,665	1,751,643	688,386	57,376	44,223,070
Total Credit Exposures	253,192,044	15,691,059	3,263,386	3,963,399	276,109,888

3. Credit Risk (Cont'd.)

3.2 Distribution of Credit Exposures (Cont'd.)

(b) Geographical Analysis (Cont'd.)

The following tables present the credit exposures of financial assets of the Group analysed by geographical distribution based on the geographical location where the credit risk resides. (Cont'd.)

	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
31 December 2010					
On-Balance Sheet Exposures					
Cash and balances with banks	30,487,145	2,162,429	505,966	1,534,899	34,690,439
Reverse repurchase agreements	365,877	-	-	-	365,877
Financial assets held-for-trading	6,360,620	-	-	-	6,360,620
Derivative financial assets	62,311	11,366	-	252,945	326,622
Financial investments available-for-sale	17,846,737	2,694	15	2,838	17,852,284
Financial investments held-to-maturity	4,076,672	436,352	-	716,593	5,229,617
Gross loans, advances and financing	143,034,436	11,056,218	1,769,499	683,919	156,544,072
Statutory deposits with Central Banks	1,294,861	-	317,714	-	1,612,575
	<u>203,528,659</u>	<u>13,669,059</u>	<u>2,593,194</u>	<u>3,191,194</u>	<u>222,982,106</u>
Commitments and Contingencies					
Contingent liabilities	2,427,806	156,531	303,192	24,390	2,911,919
Commitments	38,472,535	2,302,920	303,265	96,259	41,174,979
	<u>40,900,341</u>	<u>2,459,451</u>	<u>606,457</u>	<u>120,649</u>	<u>44,086,898</u>
Total Credit Exposures	<u>244,429,000</u>	<u>16,128,510</u>	<u>3,199,651</u>	<u>3,311,843</u>	<u>267,069,004</u>

3. Credit Risk (Cont'd.)

3.2 Distribution of Credit Exposures (Cont'd.)

(c) Maturity Analysis

The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 36% of the Group's exposures to customers is short term, having contractual maturity of one year or less. About 62% of the Group's gross loans, advances and financing has residual maturity of more than 5 years. The longer maturity is driven by the housing loans and hire purchase financing which made up 51% of the portfolio and are traditionally longer term in nature and well secured.

	Up to 1 Year RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	> 5 Years RM'000	Total RM'000
30 June 2011					
On-Balance Sheet Exposures					
Cash and balances with banks	25,785,514	-	-	-	25,785,514
Reverse repurchase agreements	8,303,644	-	-	-	8,303,644
Financial assets held-for-trading	7,849,657	118,310	154,928	183,530	8,306,425
Derivative financial assets	117,012	34,415	7,685	166,081	325,193
Financial investments available-for-sale	8,850,085	507,346	1,575,781	115,269	11,048,481
Financial investments held-to-maturity	5,697,033	996,191	507,884	55,635	7,256,743
Gross loans, advances and financing	26,553,549	16,138,299	20,062,044	104,396,473	167,150,365
Statutory deposits with Central Banks	-	-	-	3,710,453	3,710,453
Total On-Balance Sheet Exposures	83,156,494	17,794,561	22,308,322	108,627,441	231,886,818

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On-Balance Sheet Exposures

Cash and balances with banks	34,690,439	-	-	-	34,690,439
Reverse repurchase agreements	365,877	-	-	-	365,877
Financial assets held-for-trading	6,236,285	93,149	31,186	-	6,360,620
Derivative financial assets	93,786	95,776	24,897	112,163	326,622
Financial investments available-for-sale	15,316,987	343,581	2,075,772	115,944	17,852,284
Financial investments held-to-maturity	3,438,032	1,011,630	734,584	45,371	5,229,617
Gross loans, advances and financing	25,130,683	16,618,501	18,258,072	96,536,816	156,544,072
Statutory deposits with Central Banks	-	-	-	1,612,575	1,612,575
Total On-Balance Sheet Exposures	85,272,089	18,162,637	21,124,511	98,422,869	222,982,106

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire or unconditionally cancelled by the Group without them being called or drawn upon, and many of the contingent liabilities (such as bank guarantees) are reimbursable by customers.

3. Credit Risk (Cont'd.)

3.3 Off-Balance Sheet Exposures and Counterparty Credit Risk

Composition of Off-Balance Sheet Exposures

The following tables present a breakdown of the off-balance sheet exposures of the Group.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2011				
Contingent Liabilities				
Direct credit substitutes	1,558,441		1,558,441	918,113
Transaction-related contingent items:	822,443		411,221	263,148
Short term self-liquidating trade-related contingencies	505,649		101,130	74,530
Obligations under an on-going underwriting agreement	25,000		12,500	12,500
	2,911,533		2,083,292	1,268,291
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	16,243,027		7,386,564	5,694,790
- not exceeding one year	20,933,970		4,186,794	3,409,689
Unutilised credit card lines	3,168,846		633,769	475,327
Forward asset purchases	965,694		965,694	130,457
	41,311,537		13,172,821	9,710,263
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	17,577,891	73,186	285,425	89,328
- one year to less than five years	5,018	35	286	286
Interest rate related contracts:				
- less than one year	1,637,746	43,825	47,847	9,569
- one year to less than five years	4,531,528	24,030	116,838	25,135
- five years and above	3,982,566	166,081	418,568	83,714
Commodity related contracts:				
- less than one year	4,612	1	47	47
Equity related contracts:				
- one year to less than five years	160,457	18,035	30,872	6,174
	27,899,818	325,193	899,883	214,253
Total Off-Balance Sheet Exposures	72,122,888	325,193	16,155,996	11,192,807

3. Credit Risk (Cont'd.)

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

Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present a breakdown of the off-balance sheet exposures of the Group. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2010				
Contingent Liabilities				
Direct credit substitutes	1,580,171		1,580,171	1,043,487
Transaction-related contingent items	772,945		386,473	237,180
Short term self-liquidating trade-related contingencies	483,803		96,761	75,686
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	<u>2,911,919</u>		<u>2,100,905</u>	<u>1,393,853</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	15,412,139		6,548,625	4,629,682
- not exceeding one year	22,717,264		-	-
Unutilised credit card lines	3,038,271		607,654	455,741
Forward asset purchases	7,305		7,305	1,461
	<u>41,174,979</u>		<u>7,163,584</u>	<u>5,086,884</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	14,180,707	86,216	261,714	80,736
- one year to less than five years	6,271	-	416	416
Interest rate related contracts:				
- less than one year	710,853	7,672	8,441	1,694
- one year to less than five years	5,815,108	99,523	233,529	48,741
- five years and above	3,996,975	112,163	377,426	75,486
Commodity related contracts:				
- less than one year	929	-	9	9
Equity related contracts:				
- less than one year	227,140	-	13,628	2,726
- one year to less than five years	181,027	21,048	35,531	7,106
	<u>25,119,010</u>	<u>326,622</u>	<u>930,694</u>	<u>216,914</u>
Total Off-Balance Sheet Exposures	<u>69,205,908</u>	<u>326,622</u>	<u>10,195,183</u>	<u>6,697,651</u>

3. Credit Risk (Cont'd.)

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

The following tables present the breakdown of the off-balance sheet exposures of the Bank.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2011				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	1,209,879		1,209,879	806,717
Transaction-related contingent items	722,391		361,195	225,713
Short term self-liquidating trade-related contingencies	231,106		46,221	39,838
Obligations under an on-going underwriting agreement	25,000		12,500	12,500
	2,188,376		1,629,795	1,084,768
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	15,129,585		6,869,963	5,288,161
- not exceeding one year	19,172,872		3,834,574	3,027,300
Unutilised credit card lines	3,010,789		602,158	451,618
Forward asset purchases	816,080		816,080	75,496
	38,129,326		12,122,775	8,842,575
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	17,258,657	72,480	283,902	89,023
- one year to less than five years	5,018	35	286	286
Interest rate related contracts:				
- less than one year	1,637,746	43,825	47,847	9,569
- one year to less than five years	4,214,444	24,030	107,325	23,231
- five years and above	3,891,970	166,081	411,320	82,263
Commodity related contracts:				
- less than one year	4,612	1	47	47
Equity related contracts:				
- one year to less than five years	160,457	18,035	30,872	6,174
	27,172,904	324,487	881,599	210,593
Total	67,490,606	324,487	14,634,169	10,137,936

3. Credit Risk (Cont'd.)

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

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2011 (Cont'd.)				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	4,529		4,529	4,529
Commitments				
Other commitments such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	116,293		23,259	23,208
	<u>116,293</u>		<u>23,259</u>	<u>23,208</u>
Derivative Financial Instruments				
Interest rate related contracts:				
- one year to less than five years	317,084	-	9,513	1,903
- five years and above	90,596	-	7,248	1,450
	<u>407,680</u>	<u>-</u>	<u>16,761</u>	<u>3,353</u>
Total	<u>528,502</u>	<u>-</u>	<u>44,549</u>	<u>31,090</u>
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	<u><u>68,019,108</u></u>	<u><u>324,487</u></u>	<u><u>14,678,718</u></u>	<u><u>10,169,026</u></u>

3. Credit Risk (Cont'd.)

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

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2010				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	1,476,910		1,476,910	1,027,132
Transaction-related contingent items	676,528		338,264	206,138
Short term self-liquidating trade-related contingencies	231,016		46,203	39,067
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	<u>2,459,454</u>		<u>1,898,877</u>	<u>1,309,837</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	14,338,422		6,109,173	4,309,154
- not exceeding one year	20,522,993		-	-
Unutilised credit card lines	2,875,523		575,105	431,329
Forward asset purchases	3,600		3,600	720
	<u>37,740,538</u>		<u>6,687,878</u>	<u>4,741,203</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	13,951,365	82,199	255,349	79,463
- one year to less than five years	6,271	-	416	416
Interest rate related contracts:				
- less than one year	570,013	7,663	8,286	1,657
- one year to less than five years	5,491,445	99,523	221,662	46,366
- five years and above	3,904,500	112,163	370,028	74,005
Commodity related contracts:				
- less than one year	929	-	9	9
Equity related contracts:				
- less than one year	227,140	-	13,628	2,726
- one year to less than five years	181,027	21,048	35,531	7,106
	<u>24,332,690</u>	<u>322,596</u>	<u>904,909</u>	<u>211,748</u>
Total	<u>64,532,682</u>	<u>322,596</u>	<u>9,491,664</u>	<u>6,262,788</u>

3. Credit Risk (Cont'd.)

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

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2010 (Cont'd.)				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	4,623		4,623	4,623
Commitments				
Other commitments such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	130,941		-	-
	130,941		-	-
Derivative Financial Instruments				
Interest rate related contracts:				
- less than one year	61,650	-	62	17
- one year to less than five years	323,663	-	11,867	2,373
- five years and above	92,475	-	7,398	1,480
	477,788	-	19,327	3,870
Total	613,352	-	23,950	8,493
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	65,146,034	322,596	9,515,614	6,271,281

3. Credit Risk (Cont'd.)

3.4 Credit Risk Mitigation

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

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
30 June 2011				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	36,688,050	-	8,301,785	-
Public Sector Entities	421,695	300,647	-	-
Banks, DFIs and MDBs	12,273,037	-	-	-
Insurance Companies, Securities Firms and Fund Managers	233,531	36,300	4,771	-
Corporates	41,481,958	1,766,845	1,363,233	-
Regulatory Retail	81,963,244	4,472	734,366	-
Residential Mortgages	42,611,978	-	56,687	-
Higher Risk Assets	151,100	-	50	-
Other Assets	4,365,167	-	-	-
Equity Exposures	4,868,554	-	-	-
Defaulted Exposures	1,644,819	-	14,821	-
	226,703,133	2,108,264	10,475,713	-
Off-Balance Sheet Exposures				
Credit-related Exposures	14,274,074	487,996	384,543	-
Derivative Financial Instruments	899,883	-	-	-
Other Treasury-related Exposures	965,694	-	-	-
Defaulted Exposures	16,345	-	-	-
	16,155,996	487,996	384,543	-
Total Credit Exposures	242,859,129	2,596,260	10,860,256	-

3. Credit Risk (Cont'd.)

3.4 Credit Risk Mitigation (Cont'd.)

The following tables present the credit exposures of the Group covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
31 December 2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	44,104,464	-	-	-
Public Sector Entities	447,508	300,687	-	-
Banks, DFIs and MDBs	8,322,852	369,900	-	-
Insurance Companies, Securities Firms and Fund Managers	239,194	-	4,889	-
Corporates	42,392,177	1,293,160	1,804,876	-
Regulatory Retail	78,591,298	5,032	650,601	-
Residential Mortgages	34,676,113	-	52,160	-
Higher Risk Assets	121,392	-	95	-
Other Assets	3,952,394	-	-	-
Equity Exposures	4,795,823	-	-	-
Defaulted Exposures	1,818,833	-	6,955	-
	<u>219,462,048</u>	<u>1,968,779</u>	<u>2,519,576</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	9,241,639	347,573	392,318	-
Derivative Financial Instruments	930,694	-	-	-
Other Treasury-related Exposures	7,305	-	-	-
Defaulted Exposures	15,545	-	-	-
	<u>10,195,183</u>	<u>347,573</u>	<u>392,318</u>	<u>-</u>
Total Credit Exposures	<u>229,657,231</u>	<u>2,316,352</u>	<u>2,911,894</u>	<u>-</u>

3. Credit Risk (Cont'd.)

3.5 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each exposure must be assigned to one of the six credit quality rating categories defined in the table below.

Rating Category	Standard & Poor's	Moody's Investors Services	Fitch Ratings	Rating Agency Malaysia Berhad	Malaysian Rating Corporation Berhad
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

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

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

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

3. Credit Risk (Cont'd.)

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

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

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
30 June 2011								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
-Corporates	3,167,249	1,836,989	949,095	19,380	-	-		5,972,713
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
-Sovereigns and Central Banks	479,724	34,913,044	-	-	763,092	-		36,155,860
-Public Sector Entities	-	300,647	-	-	-	-		300,647
-Corporates	-	10,112	-	-	-	-		10,112
	479,724	35,223,803	-	-	763,092	-		36,466,619
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	4,826,839	3,259,776	2,806,308	466	15,529	-		10,908,918
- Corporates	1,650,090	107,518	4,916	-	-	-		1,762,524
- Regulatory Retail	-	3,181	-	-	-	-		3,181
- Insurance Companies, Securities Firms and Fund Managers	36,300	-	-	-	-	-		36,300
	6,513,229	3,370,475	2,811,224	466	15,529	-		12,710,923
Total Rated Exposures	10,160,202	40,431,267	3,760,319	19,846	778,621	-		55,150,255
(b) Total Unrated Exposures							171,552,878	171,552,878
	10,160,202	40,431,267	3,760,319	19,846	778,621	-	171,552,878	226,703,133

3. Credit Risk (Cont'd.)

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

The following tables present the credit exposures of the Group before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
30 June 2011 (Cont'd.)								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
- Corporates	83,664	223,780	-	-	-	-		307,444
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	453,380	-	-	-	-		453,380
	-	453,380	-	-	-	-		453,380
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	694,000	64,078	339,487	-	482	-		1,098,047
- Corporates	457,390	25,608	200	-	-	-		483,198
- Regulatory Retail	-	1,199	-	-	-	-		1,199
	1,151,390	90,885	339,687	-	482	-		1,582,444
Total Rated Exposures	1,235,054	768,045	339,687	-	482	-		2,343,268
(b) Total Unrated Exposures							13,812,728	13,812,728
	1,235,054	768,045	339,687	-	482	-	13,812,728	16,155,996
Total Credit Exposures before Credit Risk Mitigation	11,395,256	41,199,312	4,100,006	19,846	779,103	-	185,365,606	242,859,129

3. Credit Risk (Cont'd.)

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

The following tables present the credit exposures of the Group before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2010								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
- Corporates	2,896,348	1,873,710	1,483,860	19,761	-	-		6,273,679
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	511,127	42,594,029	-	-	698,491	-		43,803,647
- Public Sector Entities	-	300,687	-	-	-	-		300,687
- Corporates	-	10,116	-	-	-	-		10,116
	511,127	42,904,832	-	-	698,491	-		44,114,450
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	3,143,090	2,866,482	896,379	5,177	-	-		6,911,128
- Corporates	920,673	338,531	4,803	-	-	-		1,264,007
- Regulatory Retail	1,076	3,198	474	-	-	-		4,748
	4,064,839	3,208,211	901,656	5,177	-	-		8,179,883
Total Rated Exposures	7,472,314	47,986,753	2,385,516	24,938	698,491	-		58,568,012
(b) Total Unrated Exposures							160,894,036	160,894,036
	7,472,314	47,986,753	2,385,516	24,938	698,491	-	160,894,036	219,462,048

3. Credit Risk (Cont'd.)

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

The following tables present the credit exposures of the Group before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2010 (Cont'd.)								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
- Corporates	100	-	-	-	-	-		100
(ii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	750,451	27,036	38,258	-	-	-		815,745
- Corporates	324,667	20,000	-	-	-	-		344,667
- Regulatory Retail	-	1,162	-	-	-	-		1,162
	1,075,118	48,198	38,258	-	-	-		1,161,574
Total Rated Exposures	1,075,218	48,198	38,258	-	-	-		1,161,674
(b) Total Unrated Exposures							9,033,509	9,033,509
	1,075,218	48,198	38,258	-	-	-	9,033,509	10,195,183
Total Credit Exposures before Credit Risk Mitigation	8,547,532	48,034,951	2,423,774	24,938	698,491	-	169,927,545	229,657,231

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

3. Credit Risk (Cont'd.)

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

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

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
30 June 2011												
0%	28,813,495	300,648	-	-	25,221	-	-	-	1,261,480	-	30,400,844	-
20%	-	121,136	12,425,764	36,300	5,358,193	-	-	-	134,203	30,948	18,106,544	3,621,309
35%	-	-	-	-	-	-	22,726,750	-	-	-	22,726,750	7,954,363
50%	-	-	1,212,206	49,627	2,193,195	19,339	14,860,600	-	-	-	18,334,967	9,167,484
75%	-	-	-	-	-	87,972,118	5,489,196	-	-	-	93,461,314	70,095,986
100%	126,162	-	50,634	161,505	37,025,197	1,490,175	815,116	-	2,969,484	4,837,606	47,475,879	47,475,879
150%	-	-	-	2,010	202,457	1,094,495	24,467	169,146	-	-	1,492,575	2,238,863
Total	28,939,657	421,784	13,688,604	249,442	44,804,263	90,576,127	43,916,129	169,146	4,365,167	4,868,554	231,998,873	140,553,884
Risk-Weighted Assets by Exposures	126,162	24,227	3,141,888	196,594	39,497,119	69,120,677	20,353,377	253,719	2,996,325	4,843,796	140,553,884	
Average Risk Weights	0.4%	5.7%	23.0%	78.8%	88.2%	76.3%	46.3%	150.0%	68.6%	99.5%	60.6%	
Deduction from Capital Base			47,150							-	47,150	

3. Credit Risk (Cont'd.)

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

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Group. (Cont'd.)

Risk Weights	Exposures after Credit Risk Mitigation											Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000			
31 December 2010													
0%	44,013,720	300,687	-	-	25,210	-	-	-	945,789	-	45,285,406	-	
20%	-	146,850	7,921,258	-	4,141,587	1,077	-	-	165,656	30,948	12,407,376	2,481,475	
35%	-	-	-	-	-	-	21,409,463	-	-	-	21,409,463	7,493,312	
50%	-	-	1,272,577	61,144	2,253,817	8,496	14,401,266	-	-	-	17,997,300	8,998,650	
75%	-	-	-	-	-	83,771,709	-	-	-	-	83,771,709	62,828,782	
100%	90,747	-	51,490	177,411	36,133,031	17,156	177,244	-	2,840,949	4,764,875	44,252,903	44,252,903	
150%	-	-	-	2,010	327,569	1,144,563	7,606	139,432	-	-	1,621,180	2,431,770	
Total	44,104,467	447,537	9,245,325	240,565	42,881,214	84,943,001	35,995,579	139,432	3,952,394	4,795,823	226,745,337	128,486,892	
Risk-Weighted Assets by Exposures	90,747	29,370	2,272,030	210,998	38,579,610	64,567,246	14,882,598	209,148	2,874,080	4,771,065	128,486,892		
Average Risk Weights	0.2%	6.6%	24.6%	87.7%	90.0%	76.0%	41.3%	150.0%	72.7%	99.5%	56.7%		
Deduction from Capital Base			47,439							-	47,439		

3. Credit Risk (Cont'd.)

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

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

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
30 June 2011												
0%	20,011,083	-	-	-	10,111	-	-	-	1,116,768	-	21,137,962	-
20%	-	506	9,588,999	36,300	5,153,725	-	-	-	-	30,948	14,810,478	2,962,096
35%	-	-	-	-	-	-	17,624,864	-	-	-	17,624,864	6,168,702
50%	-	-	1,179,897	-	2,264,713	19,338	14,033,702	-	-	-	17,497,650	8,748,825
75%	-	-	-	-	-	70,786,797	5,054,120	-	-	-	75,840,917	56,880,688
100%	126,162	-	50,565	18,841	32,231,106	710,511	742,437	-	1,847,423	4,307,779	40,034,824	40,034,824
150%	-	-	-	2,010	141,884	879,003	23,207	135,534	-	-	1,181,638	1,772,457
Total Exposures	20,137,245	506	10,819,461	57,151	39,801,539	72,395,649	37,478,330	135,534	2,964,191	4,338,727	188,128,333	116,567,592
Risk-Weighted Assets by Exposures	126,162	101	2,558,313	29,116	34,607,033	55,128,783	17,753,391	203,301	1,847,423	4,313,969	116,567,592	
Average Risk Weights	0.6%	20.0%	23.6%	50.9%	86.9%	76.1%	47.4%	150.0%	62.3%	99.4%	62.0%	
Deduction from Capital Base			47,150							-	47,150	

3. Credit Risk (Cont'd.)

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

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank. (Cont'd.)

Risk Weights	Exposures after Credit Risk Mitigation											Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000			
31 December 2010													
0%	34,271,397	-	-	-	10,114	-	-	-	868,413	-	-	35,149,924	-
20%	-	401	6,182,969	-	4,136,564	1,076	-	-	-	30,948	-	10,351,958	2,070,392
35%	-	-	-	-	-	-	16,658,724	-	-	-	-	16,658,724	5,830,553
50%	-	-	1,518,689	-	2,312,765	8,496	13,585,652	-	-	-	-	17,425,602	8,712,801
75%	-	-	-	-	-	65,440,965	-	-	-	-	-	65,440,965	49,080,724
100%	90,747	-	51,472	40,767	31,879,432	17,156	159,478	-	1,958,045	4,240,735	-	38,437,832	38,437,832
150%	-	-	-	2,010	260,390	913,752	-	124,849	-	-	-	1,301,001	1,951,501
Total Exposures	34,362,144	401	7,753,130	42,777	38,599,265	66,381,445	30,403,854	124,849	2,826,458	4,271,683	-	184,766,006	106,083,803
Risk-Weighted Assets by Exposures	90,747	80	2,047,410	43,782	34,253,712	50,472,971	12,782,857	187,274	1,958,045	4,246,925	-	106,083,803	
Average Risk Weights	0.3%	20.0%	26.4%	102.3%	88.7%	76.0%	42.0%	150.0%	69.3%	99.4%	-	57.4%	
Deduction from Capital Base			47,439										47,439

3. Credit Risk (Cont'd.)

3.6 Credit Quality of Gross Loans, Advances and Financing

a) Past Due But Not Impaired

The following tables present an analysis of the past due but not impaired loans, advances and financing of the Group by economic purpose.

	30 June 2011 RM'000	31 December 2010 RM'000
Purchase of securities	2,155	3,597
Purchase of transport vehicles	8,629,372	8,567,503
Purchase of landed properties	8,625,994	9,135,149
(Of which: - residential	6,416,745	6,667,962
- non-residential)	2,209,249	2,467,187
Purchase of fixed assets (excluding landed properties)	19,697	19,560
Personal use	649,980	731,672
Credit card	223,698	235,889
Purchase of consumer durables	704	1,328
Construction	79,822	28,930
Working capital	712,924	1,058,833
Other purpose	69,909	93,432
	19,014,255	19,875,893

The following tables present an analysis of the past due but not impaired loans, advances and financing of the Group by geographical distribution.

	30 June 2011 RM'000	31 December 2010 RM'000
Malaysia	18,386,060	19,345,314
Hong Kong & China PRC	258,802	214,114
Cambodia	300,970	260,333
Other countries	68,423	56,132
	19,014,255	19,875,893

3. Credit Risk (Cont'd.)

3.6 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing

The following tables present an analysis of the impaired loans, advances and financing and the related impairment allowances for loans, advances and financing of the Group by economic purpose.

	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2011 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2011 RM'000	Collective Assessment Allowance at 30 June 2011 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
30 June 2011							
Purchase of securities	6,488	1,529	-	-	1,529	28,379	29,908
Purchase of transport vehicles	298,461	40,399	5,143	(1,890)	43,652	534,801	578,453
Purchase of landed properties	694,274	31,919	1,838	(306)	33,451	1,281,021	1,314,472
(Of which: - residential	466,658	1,356	767	(279)	1,844	726,596	728,440
- non-residential)	227,616	30,563	1,071	(27)	31,607	554,425	586,032
Purchase of fixed assets (excluding landed properties)	6,204	515	(85)	-	430	3,749	4,179
Personal use	163,367	43,878	82,352	(87,348)	38,882	120,698	159,580
Credit card	24,827	-	-	-	-	20,473	20,473
Purchase of consumer durables	51	-	-	-	-	242	242
Construction	31,281	6,772	3,304	(21)	10,055	17,595	27,650
Mergers and acquisitions	-	-	-	-	-	21,172	21,172
Working capital	340,876	130,767	16,488	(22,919)	124,336	342,126	466,462
Other purpose	39,201	9,155	1,066	-	10,221	90,426	100,647
	1,605,030	264,934	110,106	(112,484)	262,556	2,460,682	2,723,238

3. Credit Risk (Cont'd.)

3.6 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing (Cont'd.)

The following tables present an analysis of the impaired loans, advances and financing and the related impairment allowances for loans, advances and financing of the Group by economic purpose. (Cont'd.)

	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2010 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2010 RM'000	Collective Assessment Allowance at 31 December 2010 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
31 December 2010							
Purchase of securities	7,596	-	3,698	(2,169)	1,529	35,017	36,546
Purchase of transport vehicles	278,520	2,261	38,554	(416)	40,399	506,218	546,617
Purchase of landed properties	789,082	36,562	6,115	(10,758)	31,919	1,178,753	1,210,672
(Of which: - residential	500,289	905	11,181	(10,730)	1,356	675,217	676,573
- non-residential)	288,793	35,657	(5,066)	(28)	30,563	503,536	534,099
Purchase of fixed assets (excluding landed properties)	9,041	1,451	(936)	-	515	4,232	4,747
Personal use	172,963	29,432	192,938	(178,492)	43,878	116,369	160,247
Credit card	27,296	-	-	-	-	20,119	20,119
Purchase of consumer durables	104	-	-	-	-	246	246
Construction	14,677	6,553	21,229	(21,010)	6,772	16,768	23,540
Mergers and acquisitions	-	-	-	-	-	123	123
Working capital	442,712	172,076	52,297	(93,606)	130,767	326,105	456,872
Other purpose	42,286	9,130	25	-	9,155	92,208	101,363
	1,784,277	257,465	313,920	(306,451)	264,934	2,296,158	2,561,092

3. Credit Risk (Cont'd.)**3.6 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(b) Impaired Loans, Advances and Financing (Cont'd.)**

The following tables present the distribution of the impaired loans, advances and financing and the related impairment allowances for loans, advances and financing of the Group by geographical distribution.

	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2011 RM'000	Net Charge for the Period/Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at Period/Year End RM'000	Collective Assessment Allowance at Period/Year End RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
30 June 2011							
Malaysia	1,406,569	168,245	(4,811)	(283)	163,151	2,327,823	2,490,974
Hong Kong & China PRC	112,486	68,090	99,343	(100,259)	67,174	89,097	156,271
Cambodia	53,092	22,157	18,717	(11,823)	29,051	33,494	62,545
Other countries	32,883	6,442	(3,143)	(119)	3,180	10,268	13,448
	1,605,030	264,934	110,106	(112,484)	262,556	2,460,682	2,723,238
31 December 2010							
Malaysia	1,551,478	133,772	38,194	(3,721)	168,245	2,168,940	2,337,185
Hong Kong & China PRC	131,135	69,304	207,001	(208,215)	68,090	86,741	154,831
Cambodia	59,545	45,517	70,373	(93,733)	22,157	34,917	57,074
Other countries	42,119	8,872	(1,648)	(782)	6,442	5,560	12,002
	1,784,277	257,465	313,920	(306,451)	264,934	2,296,158	2,561,092

3. Credit Risk (Cont'd.)

3.6 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing (Cont'd.)

The following tables present the movements in the allowance for impaired loans, advances and financing of the Group.

	30 June 2011 RM'000	31 December 2010 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	2,296,158	2,018,943
Allowance made during the period/year	289,652	519,484
Amount written off	(124,292)	(235,629)
Exchange differences	(836)	(6,640)
Closing balance	<u>2,460,682</u>	<u>2,296,158</u>
	30 June 2011 RM'000	31 December 2010 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	264,934	257,465
Allowance made during the period/year	146,164	444,730
Amount written back in respect of recoveries	(36,058)	(130,810)
Amount written off	(110,568)	(281,249)
Exchange differences	(1,916)	(25,202)
Closing balance	<u>262,556</u>	<u>264,934</u>

4. Market Risk

4.1 Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on market risk for the Group and the Bank.

	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
30 June 2011				
Interest rate/rate of return risk	26,184,637	(17,933,632)	800,006	64,000
Foreign exchange risk	653,840	(799,961)	800,407	64,033
Equity risk	872	-	1,085	87
Option risk	7,100	-	7,100	568
Total	26,846,449	(18,733,593)	1,608,598	128,688
31 December 2010				
Interest rate/rate of return risk	21,004,339	(14,263,287)	462,113	36,969
Foreign exchange risk	600,244	(375,715)	600,244	48,020
Equity risk	869	-	1,088	87
Total	21,605,452	(14,639,002)	1,063,445	85,076
Bank				
30 June 2011				
Interest rate risk	26,247,928	(18,007,056)	702,132	56,170
Foreign exchange risk	1,060,177	(1,879,852)	1,879,852	150,388
Equity risk	872	-	1,085	87
Total	27,308,977	(19,886,908)	2,583,069	206,645
31 December 2010				
Interest rate risk	20,254,384	(14,456,570)	410,690	32,855
Foreign exchange risk	997,355	(1,376,577)	1,376,862	110,149
Equity risk	869	-	1,087	87
Total	21,252,608	(15,833,147)	1,788,639	143,091

4. Market Risk (Cont'd.)

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

The following tables present the projected Group's sensitivity to a 100 basis point parallel shock to interest rates/rate of return across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at reporting date. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rates/rate of return.

	30 June 2011		31 December 2010	
	(100) bps	100 bps	(100) bps	100 bps
Impact on Net Interest Income/Net Profit Income (NII/NPI)	← Increase/(Decrease) →			
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	(169,715)	109,458	(158,661)	114,974
United States Dollars	71,288	(72,122)	85,358	(78,042)
Hong Kong Dollars	(5,377)	21,508	(3,689)	11,392
Others	13,113	(14,533)	16,277	(16,529)
Total	(90,691)	44,311	(60,715)	31,795

	30 June 2011		31 December 2010	
	(100) bps	100 bps	(100) bps	100 bps
Impact on Economic Value of Equity (EVE)	← Increase/(Decrease) →			
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,253,254	(1,245,619)	1,192,978	(1,192,119)
United States Dollars	(48)	48	7,346	(7,346)
Hong Kong Dollars	1,273	(4,243)	2,108	(7,025)
Others	(6,187)	6,187	(4,681)	4,681
Total	1,248,292	(1,243,627)	1,197,751	(1,201,809)

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate/rate of return risk. In reality, treasury operations seek to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenues. The projection assumes that the interest rate/rate of return of all maturities move by the same amount and, therefore, do not reflect the potential impact on the NII/NPI and EVE of some rates changing while others remain unchanged. The projection also assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financings that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Loan/financing prepayment is generally estimated based on past statistics and trends, where possible and material.

5. Equity Exposures in Banking Book

a) The tables below present the equity exposures in banking book of the Group.

	30 June 2011		31 December 2010	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	4,739,885	4,739,885	4,672,166	4,672,166
Holdings of equity investments	41,231	41,231	36,218	36,218
	4,781,116	4,781,116	4,708,384	4,708,384
<u>Privately held</u>				
For socio-economic purposes	87,438	62,680	87,439	62,681
Not for socio-economic purposes	37,034	55,551	17,474	26,211
	124,472	118,231	104,913	88,892
Total	4,905,588	4,899,347	4,813,297	4,797,276

b) The tables below present the gains and losses on equity exposures in banking book of the Group.

	30 June 2011 RM'000	31 December 2010 RM'000
Realised gains recognised in the income statement		
- Publicly traded equity investments	504	3,477
Unrealised gains/(losses) recognised in revaluation reserve		
- Investments in unit trust funds	31,482	33,191
- Publicly traded equity investments	4,223	(4,479)
	35,705	28,712

6. Operational Risk

6.1 Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on operational risk for the Group and the Bank, computed using the Basic Indicator Approach.

	30 June 2011		31 December 2010	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	12,104,715	968,377	11,546,113	923,689
Bank	8,781,941	702,555	8,446,853	675,748

7. Shariah Non-Compliance Risk and Governance

There is no Shariah non-compliant income nor events during the period under review.