AMMB Banking Group
Pillar 3 Disclosures

Contents

1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework(Basel II) and Capital Adequacy Framework for Islamic Banks ("RCAFIB") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and all Islamic banks licensed under the Islamic Financial Services Act 2013 ("IFSA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The FSA and IFSA have come into effect on 30 June 2013, providing for the regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market, to promote financial stability and for related, consequential or incidental matters. The FSA and IFSA have replaced the Banking and Financial Institutions Act 1989 ("BAFIA") and Islamic Banking Act 1983 ("IBA") respectively. On 27 June 2013, BNM has issued the Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Basel II – Risk Weighted Assets) which provide the framework and guidelines on computation of risk weighted assets ("RWA"), replacing the previous Guidelines on Risk - Weighted Capital Adequacy Framework (Basel II – Risk Weighted Assets Computation) issued on 19 April 2007.The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF framework apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

AmBank has provided explicit guarantee against the liabilities of its wholly owned Labuan offshore banking subsidiary, AmInternational (L) Ltd. ("AMIL"), a Labuan company licensed under the Labuan Financial Services and Securities Act to carry out Labuan banking business. In accordance with the RWCAF, the capital position and RWAof AmBank refers to the combined capital base and RWA of AmBank and AMIL.

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an **aggregated** basis. The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are provided within their respective published financial statements that are available via our website at www.ambankgroup.com.

With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by the Prudential Financial Policy Department on 28 November 2012, which is based on the Basel III capital accord. Prior to that, the capital adequacy ratios of the banking subsidiaries of AMMB were computed in accordance with BNM's Risk - Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) (as applicable), which are based on the Basel II capital accord. Each banking entity has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Risk - Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

The minimum regulatory capital adequacy requirements for the risk weighted capital ratios are as follows:

Calendar year	Common Equity Tier 1 ("CET1") Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015	4.5%	6.0%	8.0%

The minimum regulatory capital adequacy requirements as stipulated in the above table have not factored in capital buffers that will be introduced in calendar year 2016 onwards.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as “group entities”) where it is determined that there is a capacity to control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For purposes of this Pillar 3 Disclosures, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

	Accounting Treatment	
Type of entity	**Statutory reporting**	**Basel III regulatory reporting**
Subsidiaries licensed under FSA or IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk-weighted at the banking subsidiary entity level; Consolidated in calculation of capital adequacy at the banking subsidiary consolidated level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA and not engaged in financial activities	Equity accounted	Reported as investment and risk weighted

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Boards of Directors, as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:
(a) Regulatory capital requirements:

- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:

- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its balance sheet, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Chief Executive Officers Committee ("Group CEOs Committee"). The Group Assets and Liabilities Committee ("GALCO"), which is a sub-committee within the Group CEOs Committee, is the governance committee within the Group CEOs Committee that is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2014 ("FY 2014"), these ranges are 7.5 per cent to 9.5 per cent for the Common Equity Tier 1 capital ratio, 9.5 per cent to 11.5 per cent for the Tier 1 capital ratio, and 13.5 per cent to 15.5 per cent for the Total Capital ratio. The Group has been operating within these ranges.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

Table 2.1: Capital Adequacy Ratio

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

SEPTEMBER 2013	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	8.833%	9.984%	23.925%	9.534%
Tier 1 capital Ratio	11.087%	9.984%	23.925%	11.207%
Total capital Ratio	14.432%	15.136%	23.925%	14.937%
After deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	8.833%	9.984%	23.925%	9.534%
Tier 1 capital Ratio	11.087%	9.984%	23.925%	11.207%
Total capital Ratio	14.432%	15.136%	23.925%	14.937%

MARCH 2013	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	9.196%	9.470%	25.749%	9.807%
Tier 1 capital Ratio	11.450%	9.470%	25.749%	11.493%
Total capital Ratio	14.792%	14.620%	25.749%	15.235%
After deducting proposed dividends:				
Core capital ratio	8.619%	9.470%	25.749%	9.375%
Tier 1 capital Ratio	10.872%	9.470%	25.749%	11.061%
Total capital Ratio	14.215%	14.620%	25.749%	14.803%

Notes:

1. Group figures presented in this Report represent an aggregation of the consolidated capital positions and RWA of our regulated banking institutions – as noted above, the consolidated positions of each entity are published at www.ambankgroup.com

2. The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL")

3. The comparative capital adequacy ratios of AmBank has been restated to reflect the effect of the pooling of interest method arising from the acquisition of AmCard Services Berhad (“AmCard”) and the transfer of assets, liabilities, activities, business and undertakings of the credit card business from MBF Cards (M’sia) Sdn Bhd (“MBF Cards”). AmBank, AmCard and MBF Cards are under common control, accordingly, the abovementioned acquisition has been accounted via the pooling of interest method.

Table 2.2: Risk Weighted Assets and Capital Requirements

The aggregated breakdown of RWA by exposures in major risk category of the Group is as follows:

	SEPTEMBER 2013						
Exposure class		Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		17,331,536	17,331,536	-	-	-	-
Banks, development financial institutions ("DFI") & multilateral development banks ("MDB")		8,428,984	8,428,984	1,781,184	-	1,781,184	142,495
Insurance companies, securities firms & fund managers		58,241	58,241	58,241	-	58,241	4,659
Corporates		43,965,249	41,387,029	36,173,782	478,528	35,695,254	2,855,620
Regulatory retail		35,329,933	35,123,595	26,550,329	-	26,550,329	2,124,026
Residential mortgages		10,156,726	10,138,431	3,611,398	-	3,611,398	288,912
Higher risk assets		121,882	121,882	182,822	-	182,822	14,626
Other assets		3,223,884	3,223,884	2,719,989	-	2,719,989	217,599
Securitisation		28,651	28,651	38,174	-	38,174	3,054
Equity		8,667	8,667	8,667	-	8,667	693
Defaulted exposures		1,235,213	1,118,496	1,225,054	-	1,225,054	98,004
Total for on balance sheet exposures		119,888,966	116,998,047	72,387,814	478,528	71,871,112	5,749,689
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,450,852	2,450,852	1,423,858	-	1,423,858	113,909
Credit Derivatives		5	5	2	-	2	0
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,104,636	11,141,989	10,136,855	-	10,136,855	810,948
Defaulted exposures		59,459	57,109	85,664	-	85,664	6,853
Total for off balance sheet exposures		14,614,952	13,649,955	11,646,379	-	11,646,379	931,710
Total on and off balance sheet exposures		134,503,918	130,648,002	84,034,193	478,528	83,517,491	6,681,399
2. **Large exposures risk requirement**				713	-	-	57
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	61,513,621	59,026,944		1,773,184	-	1,773,184	141,855
- Specific interest rate risk/Rate of return risk	3,038,166	398,631		411,707	-	411,707	32,937
Foreign currency risk	310,881	69,563		310,881	-	310,881	24,870
Equity risk							
- General risk	225,704	2,429		223,275	-	223,275	17,862
- Specific risk	225,704	2,429		308,885	-	308,885	24,711
Option risk	1,377,902	1,746,627		220,094	167,724	220,094	17,608
Total	66,691,978	61,246,623		3,248,026	167,724	3,248,026	259,842
4. **Operational risk**				6,562,673	-	6,562,673	525,014
5. **Total RWA and capital requirements**				94,308,855	646,252	93,662,603	7,493,008

On 28 December 2012, as part of an arrangement between AmBank and AmIslamic Bank in relation to a Restricted Profit Sharing Investment Account ("RPSIA") agreement, AmBank records as "deposits and placements with banks and other financial institutions" its exposure in the arrangement, whereas AmIslamic Bank records its exposure as "financing and advances". The RPSIA is a contract based on Shariah concept of Mudharabah between AmBank and AmIslamic to finance a specific business venture where AmBank solely provides capital and the business ventures are managed solely by AmIslamic as the entrepreneur. The RPSIA exposes AmBank to the risks and rewards of the financing, and accordingly AmBank accounts for all impairment allowances and risk-weighted assets arising from the RPSIA financing.

As at 30 September 2013, the gross exposure and collective allowance relating to the RPSIA financing are RM478.5 million and RM2.8 million (31 March 2013: RM500.9 million and RM2.1 million) respectively. There was no individual allowance provided for the RPSIA financing. RPSIA assets excluded from the risk-weighted capital adequacy computation of AmIslamic amounted to RM478.5 million (31 March 2013: RM500.9 million) and the risk-weight on these RPSIA assets are accounted for in the computation of capital adequacy of AmBank.

Table 2.2: Risk Weighted Assets and Capital Requirements (Contd.)

	MARCH 2013						
Exposure class		Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		16,761,345	16,761,345	-	-	-	-
Banks, development financial institutions ("DFI") & multilateral development banks ("MDB")		6,470,634	6,470,634	1,423,106	-	1,423,106	113,848
Insurance companies, securities firms & fund managers		24,380	24,380	24,380	-	24,380	1,950
Corporates		41,934,304	39,377,837	35,167,820	500,866	34,666,954	2,773,356
Regulatory retail		35,690,129	35,486,347	26,813,000	-	26,813,000	2,145,040
Residential mortgages		9,683,796	9,667,984	3,537,080	-	3,537,080	282,966
Higher risk assets		124,979	124,979	187,469	-	187,469	14,998
Other assets		3,101,409	3,101,409	2,553,557	-	2,553,557	204,285
Specialised Financing/ Investment		-	-	-	-	-	-
Securitisation		84,001	84,001	64,746	-	64,746	5,180
Equity		208,239	208,239	208,239	-	208,239	16,659
Defaulted exposures		1,391,703	1,245,772	1,429,946	-	1,429,946	114,396
Total for on balance sheet exposures		115,474,919	112,552,927	71,409,343	500,866	70,908,477	5,672,678
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,289,966	2,289,966	1,245,518	-	1,245,518	99,641
Credit Derivatives		68	68	20	-	20	2
Off balance sheet exposures other than OTC derivatives or credit derivatives		11,921,679	10,963,103	10,032,121	-	10,032,121	802,570
Defaulted exposures		94,437	90,479	135,718	-	135,718	10,857
Total for off balance sheet exposures		14,306,150	13,343,616	11,413,377	-	11,413,377	913,070
Total on and off balance sheet exposures		129,781,069	125,896,543	82,822,720	500,866	82,321,854	6,585,748
2. **Large exposures risk requirement**				713	-	-	57
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	60,092,692	54,648,113		2,591,305	-	2,591,305	207,304
- Specific interest rate risk/Rate of return risk	5,565,859	79,756		964,789	-	964,789	77,183
Foreign currency risk	243,427	61,055		243,427	-	243,427	19,474
Equity risk							
- General risk	242,949	34,574		212,393	-	212,393	16,991
- Specific risk	242,949	34,574		235,462	-	235,462	18,837
Option risk	1,038,718	2,398,407		71,071	-	71,071	5,686
Total	67,426,594	57,256,479		4,318,447	-	4,318,447	345,476
4. **Operational risk**				5,988,974	-	5,988,974	479,118
5. **Total RWA and capital requirements**				94,304,736	500,866	93,803,870	7,504,310

3.0 Capital Structure

Table 3.3 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- Common Equity Tier 1 capital;
- Additional Tier 1 capital; and
- Tier 2 capital

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The existing Additional Tier 1 and Tier 2 capital instruments of the Group do not meet all qualifying criteria for full recognition of capital instruments under the Basel III accord, on the requirements for loss absorbency at the point of non-viability, and write-off or conversion mechanisms for achieving principal loss absorption and/ or loss absorbency at the point of non-viability. All the Group's Additional Tier 1 and Tier 2 capital instruments qualify for the gradual phase-out treatment under the transitional arrangements of the Basel III accord. Under this treatment, the amount of capital instruments that can be recognised for each banking entity (and its consolidated group level) shall be capped at 90 per cent of the base in 2013 (as counted separately for Additional Tier 1 capital and Tier 2 capital respectively), with the cap reducing by 10 per cent in each subsequent year. To the extent that an instrument is redeemed or derecognised after 1 January 2013, the amount serving as the base is not reduced.

3.1 Common Equity Tier 1 Capital

Common Equity Tier 1 Capital consists of the following:

(a) Paid-up Ordinary Share Capital
Paid-up ordinary share capital is an item of capital issued by an entity to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. There is no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the entity to continue trading. It can only be redeemed on the winding up of the entity.

(b) Share Premium
Share premium is used to record premium arising from new shares issued in the group entity.

(c) Retained Earnings
Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in Common Equity Tier 1 net of any interim and/or final dividend declared, and net of any interim losses. Quarterly interim profits have been included in Common Equity Tier 1 subject to review/audit by the external auditors.

(d) Other Disclosed Reserves
Other disclosed reserves comprise the following:

(i) Statutory Reserve
Statutory reserve is maintained in compliance with the provisions of FSA and IFSA and is not distributable as cash dividends.

(ii) Capital Reserve and Merger Reserve
The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.

(iii) Foreign Currency Translation Reserve
Foreign Currency Translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

(iv) Available-for-Sale Reserve
This comprises the unrealised gains arising from changes in fair value of financial instruments (other than loans/ financing and receivables) classified as 'available-for-sale'. Where the available-for-sale reserve is a net gain outstanding balance, the banking subsidiary can recognise 45 per cent of the total outstanding balance as part of Common Equity Tier 1. Where the available-for-sale reserve is a net loss outstanding balance, the entire outstanding balance is deducted in Common Equity Tier 1.

3.2 Additional Tier 1 Capital

The amount of Additional Tier 1 capital that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90per cent of the total qualifying Additional Tier 1 balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. As at 1 January 2013 and at present, only AmBank has Additional Tier 1 capital instrument in issuance, Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 capital instruments of AmBank. Details of the Additional Tier 1 capital instruments are outlined below.

Table 3.1 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment

Base for Additional Tier 1 capital instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Non-cumulative Non-voting Guaranteed Preference Shares	750,100
Innovative Tier 1 Capital- Tranche 1	300,000
Innovative Tier 1 Capital - Tranche 2	185,000
Non-Innovative Tier 1 Capital - Tranche 1	200,000
Non-Innovative Tier 1 Capital - Tranche 2	300,000
Total qualifying base	**1,735,100**

Calendar year	**Cap on Additional Tier 1 capital instruments that can be recognized in capital adequacy computation each year**	
	Cap %	**Cap, RM'000**
2013	90%	1,561,590
2014	80%	1,388,080
2015	70%	1,214,570
2016	60%	1,041,060
2017	50%	867,550
2018	40%	694,040
2019	30%	520,530
2020	20%	347,020
2021	10%	173,510
2022	0%	0

Innovative Tier 1 Capital
Innovative Tier 1 capital comprises deeply subordinated debt instruments which despite their legal form, have loss absorbency qualities and can therefore be included as Tier 1 capital. The Innovative Tier 1 securities in issue and their primary terms are as follows:

(a) Non-cumulative Non-voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are subordinated and guaranteed by AmBank. The gross proceeds from the issuance was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77per cent per annum and thereafter, a floating rate per annum equal to three (3) month USD LIBOR plus 2.90 per cent if not redeemed on 27 January 2016. The non-cumulative dividends are payable on a semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 or more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

(b) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25 per cent per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi-annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Non-innovative Tier 1 Capital
In the financial year 2009, AmBank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
(iii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

The proceeds from the NIT1 programme were used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the SubNotes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date or 10 years from the issuance date of the SubNotes.

The SubNotes have a fixed interest rate of 9.0 per cent per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank as referred to above.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenor of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

3.3 Tier 2 Capital

The main components of Tier 2 capital are collective impairment provisions and regulatory reserves (subject to a maximum of 1.25per cent of total credit risk - weighted assets determined under the Standardised Approach) and subordinated debt instruments (Tier 2 capital instruments).

The amount of Tier 2 capital instruments that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90 per cent of the total qualifying Tier 2 balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. Tables 3.2(a) and 3.2(b) outline the application of the grandfathering provisions in respect of the Tier 2 capital instruments for AmBank and AmIslamic respectively. AmInvestment does not have any Tier 2 capital instruments in issuance as at 1 January 2013 and at present, Details of the Tier 2 capital instruments are outlined below.

Table 3.2(a) Tier 2 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment

Base for Tier 2 capital instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Medium Term Notes ("MTN") - Tranche 1	200,000
MTN – Tranche 2	165,000
MTN – Tranche 3	75,000
MTN – Tranche 4	45,000
MTN – Tranche 5	75,000
MTN – Tranche 6	600,000
MTN – Tranche 7	97,800
MTN – Tranche 8	710,000
Total qualifying base	**1,967,800**

Calendar year	**Cap on Tier 2 capital instruments that can be recognized in capital adequacy computation each year**	
	Cap %	**Cap, RM'000**
2013	90%	1,771,020
2014	80%	1,574,240
2015	70%	1,377,460
2016	60%	1,180,680
2017	50%	983,900
2018	40%	787,120
2019	30%	590,340
2020	20%	393,560
2021	10%	196,780
2022	0%	0

Table 3.2(b) Tier 2 Capital Instruments of AmIslamic and the Basel III Gradual Phase-Out Treatment

Base for Tier 2 capital instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Subordinated Sukuk Musyarakah – Tranche 1	600,000
Subordinated Sukuk Musyarakah – Tranche 2	200,000
Subordinated Sukuk Musyarakah – Tranche 3	200,000
Total qualifying base	**1,000,000**

Calendar year	**Cap on Tier 2 capital instruments that can be recognized in capital adequacy computation each year**	
	Cap %	**Cap, RM'000**
2013	90%	900,000
2014	80%	800,000
2015	70%	700,000
2016	60%	600,000
2017	50%	500,000
2018	40%	400,000
2019	30%	300,000
2020	20%	200,000
2021	10%	100,000
2022	0%	0

Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN Programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTNs issued under the MTN Programme was included as Tier 2 capital in compliance with the RWCAF issued by BNM.

The salient features of the MTNs issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23 per cent per annum.
RM300 million of Tranche 1 was early redeemed on 8 October 2012. The remaining RM200 million of Tranche 1 was called and cancelled on its first call date of 4 February 2013.

(ii) Tranche 2 and 3 totaling RM240 million was issued on 14 March 2008 as follows:
- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2 per cent per annum.
- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4per cent per annum.

Tranche 2 of RM165 million was fully called and cancelled on its first call date of 14 March 2013.

(iii) Tranche 4 and 5 totaling RM120 million was issued on 28 March 2008 as follows:
- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2 per cent per annum.
- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4 per cent per annum.

Tranche 4 of RM45 million was fully called and cancelled on its first call date of 28 March 2013.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25 per cent per annum.

(v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75 per cent per annum.

(vi) Tranche 8 amounting to RM710.0 million issued on 16 October 2012 is for a tenor of 10 years Non-Callable 5 years and bears interest at 4.45 per cent per annum.

The interest rate of the MTN will step up by 0.5 per cent per annum as follows:

(i) Tranche 1 – at the beginning of the 6th year
(ii) Tranche 2 – at the beginning of the 6th year
(iii) Tranche 3 – at the beginning of the 8th year
(iv) Tranche 4 – at the beginning of the 6th year
(v) Tranche 5 – at the beginning of the 8th year
(vi) Tranche 6 – at the beginning of the 11th year
(vii) Tranche 7 – at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN. The step-up feature does not apply to Tranche 8.

Total MTN in issuance post the completion of these transactions has amounted to RM1,557.8 million.

Subordinated Sukuk Musyarakah

On 30 September 2011, AmIslamic Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of up to RM2.0 billion. The purpose of the programme is to increase AmIslamic Bank's Tier 2 capital.

On the same date, RM600.0 million subordinated securities were issued under this programme.The first tranche of the Sukuk Musharakah carries a profit rate of 4.40 per cent per annum and is payable on a semi-annual basis.

On 31 January 2012, AmIslamic bank issued the second tranche of the Sukuk Musharakah of RM200.0 million. The second tranche carries a profit rate of 4.35per cent per annum, and is payable on a semi-annual basis.

On 24 December 2012, AmIslamic bank issued the third tranche of the Sukuk Musharakah of RM200.0 million. The third tranche carries a profit rate of 4.45 per cent per annum, and is payable on a semi-annual basis.

The Subordinated Sukuk Musharakah is for a period of ten (10) years. AmIslamic bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100per cent of the principal amount together with the expected profit payments.

Table 3.3 Capital Structure

The aggregated components of Common Equity Tier 1, Additional Tier 1, Tier 2, and Total Capital of the Group are as follows:

	30.09.13			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group ** RM'000
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	3,734,283	652,753	125,077	4,526,539
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(54,604)	(13,449)	1,822	(66,337)
Foreign exchange translation reserve	(2,635)	-	-	31,955
Statutory reserve	980,969	424,266	200,000	1,605,235
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	111,805
Cash flow hedging reserve	(7,875)	-	-	(7,875)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(283,025)	(36)	(2,100)	(289,883)
Deferred tax assets	(68,018)	-	(9,713)	(139,730)
Cash flow hedging reserve	7,875	-	-	7,875
55% of cumulative gains of AFS financial instruments	-	-	(1,002)	(1,031)
Deduction in excess of Tier 2 capital*	-	-	(146,411)	(22,319)
CET1 capital	**6,118,694**	**2,250,641**	**367,673**	**8,898,121**
Additional Tier 1 ("T1") capital				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561,590	-	-	1,561,590
T1 capital	**7,680,284**	**2,250,641**	**367,673**	**10,459,711**
Tier 2 ("T2") capital				
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	900,000	-	2,457,800
Collective allowance and regulatory reserves	768,060	261,420	4,300	1,029,438
Less: Regulatory adjustments applied on Tier 2 capital	(8,609)	-	(4,300)	(6,665)
Tier 2 capital	**2,317,251**	**1,161,420**	**-**	**3,480,573**
Total Capital	**9,997,535**	**3,412,061**	**367,673**	**13,940,284**
Credit RWA	61,444,822	21,392,148	969,400	83,996,020
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(478,528)	-	(478,528)
Total Credit RWA	61,444,822	20,913,620	969,400	83,517,492
Market RWA	2,894,538	179,688	173,021	3,248,025
Operational RWA	4,931,192	1,449,621	394,327	6,562,672
Large exposure risk RWA for equity holdings	713	-	-	713
Total Risk Weighted Assets	**69,271,265**	**22,542,929**	**1,536,748**	**93,328,902**

* The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

Table 3.3 Capital Structure (Contd.)

	31.03.13			
	AmBank RM'000 (Restated)	**AmIslamic Bank RM'000**	**AmInvestment Bank RM'000**	**Group ** RM'000 (Restated)**
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	3,501,590	521,327	118,308	4,155,650
Less: proposed dividend - final	(400,338)	-	-	(400,338)
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(8,402)	(7,256)	3,110	(13,268)
Foreign exchange translation reserve	(14,760)	-	-	15,228
Statutory reserve	980,969	424,266	200,000	1,605,235
Capital reserve	-	-	-	2,815
Merger reserve	507,017	-	-	578,129
Cash flow hedging reserve	(12,644)	-	-	(12,644)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(235,655)	(50)	(2,347)	(238,108)
Deferred tax assets	(120,523)	-	(11,512)	(135,531)
Cash flow hedging reserve	12,644	-	-	12,644
55% of cumulative gains of AFS financial instruments	-	-	(1,711)	(1,739)
Deduction in excess of Tier 2 capital*	-	-	(110,010)	(23,267)
CET1 capital	**5,973,106**	**2,125,394**	**395,837**	**8,683,878**
Additional Tier 1 ("T1") capital				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561,590	-	-	1,561,590
T1 capital	**7,534,696**	**2,125,394**	**395,837**	**10,245,468**
Tier 2 ("T2") capital				
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	900,000	-	2,457,800
Collective allowance and regulatory reserves	758,815	255,665	2,789	1,013,216
Less: Regulatory adjustments applied on Tier 2 capital	(133)	-	(2,789)	(4,744)
Tier 2 capital	**2,316,482**	**1,155,665**	**-**	**3,466,272**
Total Capital	**9,851,178**	**3,281,059**	**395,837**	**13,711,740**
Credit RWA	60,705,227	20,954,069	1,118,859	82,822,720
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(500,866)	-	(500,866)
Total Credit RWA	60,705,227	20,453,203	1,118,859	82,321,854
Market RWA	3,722,181	583,120	9,366	4,318,447
Operational RWA	4,875,083	1,406,226	409,052	5,988,974
Large exposure risk RWA for equity holdings	713	-	-	713
Total Risk Weighted Assets	**69,303,204**	**22,442,549**	**1,537,277**	**92,629,988**

* The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

** The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated Operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to the Company on 28 February 2011.

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board of Directors' Approved Risk Appetite Framework which provides the catalyst to setting the risk/ reward profile required by the Board of Directors, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/ return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/ amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

The Group's strategic goals are for top quartile shareholder returns and target ROE which will be progressively developed over a three year period wherein the Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

The Group targets an improved credit rating of BBB+ (from international rating agencies) to be achieved within one to two years, supported by continued improvement in overall asset quality and portfolio diversification, continued growth and diversification of its Funding and Treasury & Markets businesses and strong management of liquidity and interest rate risk/ rate of return risk in the balance sheet.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for CET 1, Tier 1 Capital and Total Regulatory Capital. Our capital requirements are robustly tested over a three year period.

We enforce conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio and Liquidity Coverage Ratios). Our targeted Adjusted Loan Deposit Ratio is within 90 per cent range with continually improving current account and savings account ("CASA") deposit composition and market share.

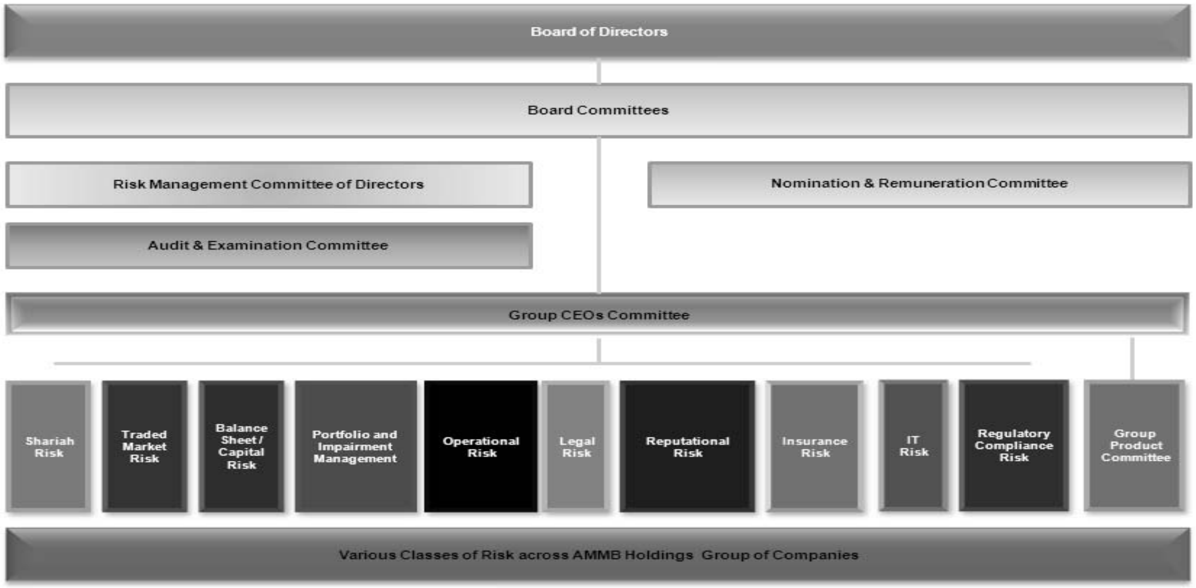
Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Group. The RMCD is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, regulatory compliance risk, reputational risk, product risk and business and IT project risk.

In July 2013, the Group Product Committee ("GPC") was re-established as a sub-committee of the Group CEOs Committee. The GPC is to oversee activities in managing products for the Group; and to advise and report to the Group CEOs Committee on product related matters.

The following chart sets out the organisational structure of the Group CEOs Committee and an overview of the Group CEOs Committee's roles and responsibilities.



Strategic Risk
Strategic risk is the risk of not achieving the Group's corporate strategic goals. The Group's overall strategic planning reflects the Group's vision and mission, taking into consideration the Group's internal capabilities and external factors.

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/ initiatives.

Reputational Risk
The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk
A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Group Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, securities and anti-money laundering law as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

Group Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the department facilitates briefings, disseminates information and leads coordination efforts.

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are to:

- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Group's capital position; and
- Ensure that the capital base supports the Group's Risk Appetite, and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with the Group's Risk Appetite as set and approved by the Board.

5.0 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/ or positions as well as Shariah compliance risk (please refer to Section 12 for discussion on Shariah Governance).

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending/ financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector; and
  - country.
- Asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- Setting Loan/ Financing to Value limits for asset backed loans/ financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to the Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority it will be reported to Executive Committee of Directors (" EXCO"). Portfolio credit risk is reported to the relevant management and board committees.

The Group CEOs Committee regularly meets to review the quality and diversification of the Group's loan/ financing portfolio, approve new and amended credit risk policy, and review the portfolio risk profile against the Group Risk Appetite Framework ("GRAF").

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/ financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/ or interest/ rate of return) due under the contractual terms are received late or missed.

A loan/ financing is classified as impaired under the following circumstances:
(a) where the principal or interest/ profit or both[1] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or
(b) the loan/ financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.
(c) for loans/ financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/ financing shall be classified as impaired when the principal or interest/ profit or both is past due for more than 90 days or 3 months.
(d) for distressed rescheduled and restructured ("R/ R") facilities, these loans/ financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/ R facilities remain impaired until re-aged.

5.2.2 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:
(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.
(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans/ financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions is computed after making the necessary adjustments to reflect current economic conditions.

Table 5.1: Distribution of Gross Credit Exposures by Sector

The aggregated distribution of credit exposures by sector of the Group is as follows:

	SEPTEMBER 2013													
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	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	RM '000
On balance sheet exposures														
Sovereigns/ central banks	-	-	-	-	15,072	-	-	15,412,172	-	-	1,604,259	-	300,033	17,331,536
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, DFIs and MDBs	-	-	-	-	-	22	-	8,409,510	-	9,331	-	-	10,121	8,428,984
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	58,241	-	-	-	-	-	58,241
Corporates	3,644,135	2,843,342	7,804,187	1,217,853	5,133,600	4,932,203	2,654,809	3,320,842	7,681,686	1,338,994	1,488,280	1,733,628	171,690	43,965,249
Regulatory retail	113,485	33,473	289,044	10,741	295,023	432,178	174,882	713,524	43,484	152,067	109,985	32,959,946	2,101	35,329,933
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	10,156,726	-	10,156,726
Higher risk assets	-	-	5	-	-	-	-	961	417	-	-	17,964	102,535	121,882
Other assets	-	-	-	-	-	-	-	171,632	-	-	-	776,878	2,275,374	3,223,884
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-	23,022	-	-	5,629	-	-	28,651
Equity	-	-	26	-	-	227	1,550	5,224	1,448	36	-	-	156	8,667
Defaulted exposures	14,028	6,542	116,540	177	74,861	32,176	186,919	12,345	10,946	6,802	5,802	766,169	1,906	1,235,213
Total for on balance sheet exposures	3,771,648	2,883,357	8,209,802	1,228,771	5,518,556	5,396,806	3,018,160	28,127,473	7,737,981	1,507,230	3,213,955	46,411,311	2,863,916	119,888,966
Off balance sheet exposures														
OTC derivatives	10,397	18,042	88,691	-	16,549	11,567	53,896	2,208,397	7,789	29,192	45	-	6,287	2,450,852
Credit derivatives	-	-	-	-	-	-	-	5	-	-	-	-	-	5
Off balance sheet exposures other than OTC derivatives or credit derivatives	362,546	219,759	2,072,938	212,457	2,468,438	970,538	498,222	529,760	1,341,330	317,509	370,370	2,736,552	4,217	12,104,636
Defaulted exposures	30	4,000	4,765	-	34,320	9,534	237	1,133	-	5,064	62	314	-	59,459
Total for off balance sheet exposures	372,973	241,801	2,166,394	212,457	2,519,307	991,639	552,355	2,739,295	1,349,119	351,765	370,477	2,736,866	10,504	14,614,952
Total on and off balance sheet exposures	**4,144,621**	**3,125,158**	**10,376,196**	**1,441,228**	**8,037,863**	**6,388,445**	**3,570,515**	**30,866,768**	**9,087,100**	**1,858,995**	**3,584,432**	**49,148,177**	**2,874,420**	**134,503,918**

Table 5.1: Distribution of gross credit exposures by sector (Contd.)

	MARCH 2013													
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	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	RM'000
On balance sheet exposures														
Sovereigns/ central banks	-	-	-	-	-	-	-	15,366,013	-	-	1,095,199	-	300,133	16,761,345
Banks, DFIs and MDBs	-	-	-	-	-	28	-	6,448,453	-	22,153	-	-	-	6,470,634
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	24,380	-	-	-	-	-	24,380
Corporates	3,174,861	2,044,789	7,336,671	1,003,781	4,996,655	5,019,076	2,672,568	4,569,507	6,968,632	1,223,747	1,326,450	1,402,198	195,369	41,934,304
Regulatory retail	119,843	30,533	318,774	7,547	320,652	469,516	187,984	274,220	39,936	183,704	116,841	33,618,780	1,799	35,690,129
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	9,683,796	-	9,683,796
Higher risk assets	-	-	27	-	-	-	-	869	1,331	-	-	20,150	102,602	124,979
Other assets	185	82	213	31	382	309	56	208,616	312	339,036	-	492,727	2,059,460	3,101,409
Securitisation	53,958	-	-	-	-	-	-	24,176	-	-	5,867	-	-	84,001
Equity	-	-	42	-	124	240	1,550	4,060	3,903	38	-	-	198,282	208,239
Defaulted exposures	9,721	9,218	235,035	311	71,173	50,284	155,852	23,394	60,457	11,521	31,727	730,763	2,247	1,391,703
Total for on balance sheet exposures	3,358,568	2,084,622	7,890,762	1,011,670	5,388,986	5,539,453	3,018,010	26,943,688	7,074,571	1,780,199	2,576,084	45,948,414	2,859,892	115,474,919
Off balance sheet exposures														
OTC derivatives	2,966	6,780	46,990	-	9,169	12,843	61,998	2,125,144	485	18,688	-	-	4,903	2,289,966
Credit derivatives	-	-	-	-	-	-	-	68	-	-	-	-	-	68
Off balance sheet exposures other than OTC derivatives or credit derivatives	371,598	225,716	2,366,528	209,327	2,547,355	953,400	356,617	524,600	1,280,866	302,996	171,310	2,585,568	25,798	11,921,679
Defaulted exposures	30	4,000	31,987	-	41,672	12,188	815	1,088	2,300	44	-	287	26	94,437
Total for off balance sheet exposures	374,594	236,496	2,445,505	209,327	2,598,196	978,431	419,430	2,650,900	1,283,651	321,728	171,310	2,585,855	30,727	14,306,150
Total on and off balance sheet exposures	**3,733,162**	**2,321,118**	**10,336,267**	**1,220,997**	**7,987,182**	**6,517,884**	**3,437,440**	**29,594,588**	**8,358,222**	**2,101,927**	**2,747,394**	**48,534,269**	**2,890,619**	**129,781,069**

Table 5.2: Impaired and Past Due Loans, Advances and Financing, Individual and Collective Allowances by Sector

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances, charges for individual impairment allowances and write offs during the year by sector of the Group are as follows:

	SEPTEMBER 2013														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	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	RM '000	RM '000
Impaired loans, advances and financing	22,860	3,479	226,717	24,042	40,633	47,678	90,900	1,428	9,890	31,287	53,207	1,113,778	4,396	-	**1,670,295**
Past due loans / financing	66,090	12,190	335,769	24,526	252,921	146,292	390,422	2,942	114,061	91,859	235,532	14,122,713	4,609	-	**15,799,926**
Individual allowances	2,154	2,846	116,539	21,953	10,428	1,777	17,733	-	-	3,191	30,748	5,367	198	-	**212,934**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,936,149	**1,936,149**
Charges for individual allowances	(3,018)	3,650	92,307	(2,536)	2,140	3,857	18,649	72	(3,626)	1,345	29,760	3,359	(5,570)	-	**140,389**
Write-offs against individual allowances	-	15,490	74,293	-	6,004	3,778	7,002	72	1,852	2,077	2,357	-	-	-	**112,925**

	MARCH 2013														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	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	RM '000	RM '000
Impaired loans, advances and financing	20,598	17,888	254,786	25,906	51,111	49,908	18,593	28,287	18,244	18,898	56,066	1,109,221	10,963	-	**1,680,469**
Past due loans / financing	95,204	24,238	362,739	26,315	177,364	163,568	127,191	28,900	146,782	79,861	278,567	14,329,421	11,706	-	**15,851,856**
Individual allowances	5,172	14,686	98,525	24,489	14,292	1,698	6,086	-	5,478	4,215	3,345	2,368	5,768	-	**186,122**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,986,973	**1,986,973**
Charges for individual allowances	(6,356)	162,567	102,835	(4,775)	17,297	3,986	7,262	855	1,792	344	1,952	(895)	2,313	-	**289,177**
Write-offs against individual allowances	-	147,881	30,859	168	34,903	5,222	2,270	898	9,737	-	2,431	68	1,517	-	**235,954**

Table 5.3: Geographical Distribution of Credit Exposures

The aggregated geographic distribution of credit exposures of the Group is as follows:

	SEPTEMBER 2013		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ central banks	17,331,536	-	17,331,536
Banks, DFIs and MDBs	7,909,377	519,607	8,428,984
Insurance companies, securities firms & fund managers	32,551	25,690	58,241
Corporates	42,170,133	1,795,116	43,965,249
Regulatory retail	35,329,933	-	35,329,933
Residential mortgages	10,156,726	-	10,156,726
Higher risk assets	120,836	1,046	121,882
Other assets	2,704,984	518,900	3,223,884
Securitisation	28,651	-	28,651
Equity	8,631	36	8,667
Defaulted exposures	1,235,213	-	1,235,213
Total for on balance sheet exposures	117,028,571	2,860,395	119,888,966
Off balance sheet exposures			
OTC derivatives	2,450,852	-	2,450,852
Credit derivatives	5	-	5
Off balance sheet exposures other than OTC derivatives or credit derivatives	11,957,761	146,875	12,104,636
Defaulted exposures	59,459	-	59,459
Total for off balance sheet exposures	14,468,077	146,875	14,614,952
Total on and off balance sheet exposures	**131,496,648**	**3,007,270**	**134,503,918**

	MARCH 2013		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ central banks	16,761,345	-	16,761,345
Banks, DFIs and MDBs	6,063,073	407,561	6,470,634
Insurance companies, securities firms & fund managers	-	24,380	24,380
Corporates	40,847,244	1,087,060	41,934,304
Regulatory retail	35,690,129	-	35,690,129
Residential mortgages	9,683,796	-	9,683,796
Higher risk assets	123,987	992	124,979
Other assets	2,749,590	351,819	3,101,409
Securitisation	84,001	-	84,001
Equity	208,201	38	208,239
Defaulted exposures	1,391,703	-	1,391,703
Total for on balance sheet exposures	113,603,069	1,871,850	115,474,919
Off balance sheet exposures			
OTC derivatives	2,289,966	-	2,289,966
Credit derivatives	68	-	68
Off balance sheet exposures other than OTC derivatives or credit derivatives	11,788,441	133,238	11,921,679
Defaulted exposures	94,437	-	94,437
Total for off balance sheet exposures	14,172,912	133,238	14,306,150
Total on and off balance sheet exposures	**127,775,981**	**2,005,088**	**129,781,069**

Table 5.4: Geographical Distribution of Impaired and Past Due Loans, Advances and Financing, Individual and Collective Allowances

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances by geographic distribution of the Group are as follows:

	SEPTEMBER 2013		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,670,295	-	1,670,295
Past due loans / financing	15,799,926	-	15,799,926
Individual allowances	212,934	-	212,934
Collective allowances	1,924,269	11,880	1,936,149

	MARCH 2013		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,680,469	-	1,680,469
Past due loans / financing	15,851,856	-	15,851,856
Individual allowances	186,122	-	186,122
Collective allowances	1,973,115	13,858	1,986,973

Table 5.5: Residual Contractual Maturity by Major Types of Credit Exposure

The aggregated residual contractual maturity by major types of gross credit exposures of the Group is as follows:

	SEPTEMBER 2013								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	11,637,106	1,034,878	-	-	-	433,720	4,203,356	22,476	17,331,536
Banks, development financial institutions & multilateral development banks	4,819,257	2,028,434	825,332	245,650	169,351	25,417	281,450	34,093	8,428,984
Insurance companies, securities firms & fund managers	-	-	25,690	-	-	-	32,551	-	58,241
Corporates	11,744,186	3,808,545	2,482,444	3,476,957	3,674,356	5,573,584	13,205,177	-	43,965,249
Regulatory retail	2,287,068	57,569	96,627	361,946	3,148,443	5,902,265	23,476,015	-	35,329,933
Residential mortgages	17,376	540	1,699	4,541	47,859	123,909	9,960,802	-	10,156,726
Higher risk assets	422	46	6	60	330	774	19,818	100,426	121,882
Other assets	1,410,352	-	-	-	-	-	-	1,813,532	3,223,884
Securitisation	116	-	-	-	-	-	28,535	-	28,651
Equity	5,224	-	-	-	-	-	3,286	157	8,667
Defaulted exposures	188,585	119,363	11,242	35,501	133,957	97,660	648,905	-	1,235,213
Total for on balance sheet exposures	32,109,692	7,049,375	3,443,040	4,124,655	7,174,296	12,157,329	51,859,895	1,970,684	119,888,966
Off balance sheet exposures									
OTC derivatives	30,784	93,493	61,496	157,489	710,052	513,422	884,116	-	2,450,852
Credit derivatives	-	-	-	-	4	-	1	-	5
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,683,716	1,179,820	1,246,997	2,060,354	1,784,195	649,705	3,499,749	100	12,104,636
Defaulted exposures	6,020	18,732	5,782	20,865	6,201	-	1,859	-	59,459
Total for off balance sheet exposures	1,720,520	1,292,045	1,314,275	2,238,708	2,500,452	1,163,127	4,385,725	100	14,614,952
Total on and off balance sheet exposures	**33,830,212**	**8,341,420**	**4,757,315**	**6,363,363**	**9,674,748**	**13,320,456**	**56,245,620**	**1,970,784**	**134,503,918**

Table 5.5: Residual contractual maturity by major types of credit exposure (Contd.)

	MARCH 2013								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	9,621,137	3,137,478	-	-	15,272	426,115	3,547,200	14,143	16,761,345
Banks, development financial institutions & multilateral development banks	3,423,813	1,536,701	536,916	305,761	380,798	20,467	266,178	-	6,470,634
Insurance companies, securities firms & fund managers	5	-	24,375	-	-	-	-	-	24,380
Corporates	10,912,240	3,208,395	3,827,416	1,514,419	4,734,176	5,334,721	12,401,555	1,382	41,934,304
Regulatory retail	2,383,681	46,001	98,378	252,862	3,322,940	5,837,492	23,748,775	-	35,690,129
Residential mortgages	16,421	995	1,114	4,244	46,530	122,851	9,491,641	-	9,683,796
Higher risk assets	462	16	16	58	421	688	22,916	100,402	124,979
Other assets	1,540,710	-	-	-	-	-	165	1,560,534	3,101,409
Securitisation	65	-	-	-	-	-	83,936	-	84,001
Equity	5,455	-	-	-	-	-	4,502	198,282	208,239
Defaulted exposures	263,269	105,042	72,259	91,567	124,320	127,156	608,090	-	1,391,703
Total for on balance sheet exposures	28,167,258	8,034,628	4,560,474	2,168,911	8,624,457	11,869,490	50,174,958	1,874,743	115,474,919
Off balance sheet exposures									
OTC derivatives	54,474	91,563	38,267	84,880	385,627	696,361	938,794	-	2,289,966
Credit derivatives	-	39	-	-	-	18	11	-	68
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,969,129	836,707	1,468,404	1,981,490	1,856,390	671,691	3,137,768	100	11,921,679
Defaulted exposures	21,806	11,934	3,382	30,297	23,988	945	2,085	-	94,437
Total for off balance sheet exposures	2,045,409	940,243	1,510,053	2,096,667	2,266,005	1,369,015	4,078,658	100	14,306,150
Total on and off balance sheet exposures	**30,212,667**	**8,974,871**	**6,070,527**	**4,265,578**	**10,890,462**	**13,238,505**	**54,253,616**	**1,874,843**	**129,781,069**

Table 5.6: Reconciliation of Changes to Loans/ Financing Impairment Allowances

The reconciliation of changes to aggregated loan/ financing impairment allowances of the Group is as follows:

	SEPTEMBER 2013	
	Individual impairment allowances RM'000	**Collective impairment allowances RM'000**
Balance at 1 April	186,122	1,986,973
Charge for the year – net	139,737	257,506
Amount written-off	(112,925)	(309,674)
Exchange differences	-	1,344
Balance at 30 September	212,934	1,936,149

	(Charge off)/recoveries RM'000
Bad debts written off during the year	(46,817)
Bad debt recoveries during the year	482,632

	MARCH 2013	
	Individual impairment allowances RM'000	**Collective impairment allowances RM'000**
Balance at 1 April	134,359	2,049,217
Charge for the year – net	287,717	455,288
Amount written-off	(235,954)	(563,277)
Amount transferred from AmIslamic Bank	-	1,871
Amount transferred to AmBank	-	(1,871)
Effect arising from the pooling of interests	-	40,536
Exchange differences	-	5,209
Balance at 31 March	186,122	1,986,973

	(Charge off)/recoveries RM'000
Bad debts written off during the year	(83,168)
Bad debt recoveries during the year	644,948

* As at 30 September 2013, the gross exposure and collective allowance relating to the RPSIA financing are RM478.5 million and RM2.8 million (31 March 2013:RM500.9 million and RM2.1 million) respectively.

There was no individual allowance provided for the RPSIA financing.

6.0 Credit Risk Exposure under the Standardised Approach

Table 6.1: Credit Exposures by Risk Weights under the Standardised Approach

The aggregated credit risk exposures by risk weights of the Group are as follows:

SEPTEMBER 2013												
	Exposures after netting and credit risk mitigation											
Risk Weights	Sovereigns & Central Banks RM '000	Banks, MDBs and FDIs RM '000	Insurance Cos, Securities Firms & Fund Managers RM '000	Corporates RM '000	Regulatory Retail RM '000	Residential Mortgages RM '000	Higher Risk Assets RM '000	Other Assets RM '000	Securitisation RM '000	Equity RM '000	Total Exposures after Netting & Credit Risk Mitigation RM '000	Total Risk Weighted Assets RM '000
0%	17,331,736	14,632	-	3,007,481	-	-	-	487,990	-	-	20,841,839	-
20%	11,233	8,564,406	-	2,948,425	64,898	-	-	19,882	26,013	-	11,634,857	2,326,972
35%	-	-	-	-	-	9,732,803	-	-	-	-	9,732,803	3,406,481
50%	-	1,786,908	-	433,485	44,100	537,649	-	-	-	-	2,802,142	1,401,071
75%	-	-	-	-	36,897,006	-	-	-	-	-	36,897,006	27,672,754
100%	208	2,301	95,489	44,033,081	1,245,133	115,583	-	2,716,012	-	8,667	48,216,474	48,216,474
150%	-	-	-	258,027	230,423	-	137,748	-	-	-	626,198	939,297
1250%	-	-	-	-	-	-	-	-	2,638	-	2,638	32,971
Total	17,343,177	10,368,247	95,489	50,680,499	38,481,560	10,386,035	137,748	3,223,884	28,651	8,667	130,753,957	83,996,020
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

MARCH 2013												
	Exposures after netting and credit risk mitigation											
Risk Weights	Sovereigns & Central Banks RM '000	Banks, MDBs and FDIs RM '000	Insurance Cos, Securities Firms & Fund Managers RM '000	Corporates RM '000	Regulatory Retail RM '000	Residential Mortgages RM '000	Higher Risk Assets RM '000	Other Assets RM '000	Securitisation RM '000	Equity RM '000	Total Exposures after Netting & Credit Risk Mitigation RM '000	Total Risk Weighted Assets RM '000
0%	16,761,345	34,782	-	2,793,494	-	-	-	527,677	-	-	20,117,298	-
20%	40,448	6,505,926	-	1,900,834	88,775	-	-	25,220	69,963	-	8,631,166	1,726,233
35%	-	-	-	-	-	8,658,936	-	-	-	-	8,658,936	3,030,628
50%	-	1,938,271	-	413,603	45,381	1,129,526	-	-	10,394	-	3,537,175	1,768,587
75%	-	-	-	-	36,964,673	-	-	-	-	-	36,964,673	27,723,505
100%	313	9,063	65,062	43,088,158	1,273,666	119,603	-	2,548,513	-	208,239	47,312,617	47,312,615
150%	-	-	-	496,485	170,814	-	143,098	-	-	-	810,397	1,215,596
1250%	-	-	-	-	-	-	-	-	3,644	-	3,644	45,556
Total	16,802,106	8,488,042	65,062	48,692,574	38,543,309	9,908,065	143,098	3,101,410	84,001	208,239	126,035,906	82,822,720
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

Table 6.2: Rated Exposures According to Ratings by ECAIs

Exposure class	SEPTEMBER 2013					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance cos., securities firms & fund managers	95,499	-	-	-	-	95,499
Corporates	54,151,253	2,371,228	272,550	114,801	3,615	51,389,059
Total	54,246,752	2,371,228	272,550	114,801	3,615	51,484,558

Exposure class	MARCH 2013					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance cos., securities firms & fund managers	65,062	-	-	-	-	65,062
Corporates	52,100,273	1,218,565	300,208	107,971	-	50,473,529
Total	52,165,335	1,218,565	300,208	107,971	-	50,538,591

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

	SEPTEMBER 2013					
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
Exposure class	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFI and MDB	2,921	2,921	-	-	-	-
Rated Credit Exposures	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Total	-	-	-	-	-	-

	MARCH 2013					
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
Exposure class	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFI and MDB	133,446	133,446	-	-	-	-
Rated Credit Exposures	-	-	-	-	-	-
Corporates	69,608	69,608	-	-	-	-
Total	69,608	69,608	-	-	-	-

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

	SEPTEMBER 2013					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	**17,343,177**	-	17,327,898	-	-	15,279
Total	**17,343,177**	**-**	**17,327,898**	**-**	**-**	**15,279**

	MARCH 2013					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	**16,802,106**	-	16,552,975	-	-	249,131
Total	**16,802,106**	**-**	**16,552,975**	**-**	**-**	**249,131**

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

	SEPTEMBER 2013					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**10,365,326**	3,180,396	1,132,531	2,652,200	44	3,400,155
Total	**10,365,326**	**3,180,396**	**1,132,531**	**2,652,200**	**44**	**3,400,155**

	MARCH 2013					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**8,354,596**	2,116,024	1,090,982	2,455,735	61	2,691,794
Total	**8,354,596**	**2,116,024**	**1,090,982**	**2,455,735**	**61**	**2,691,794**

Table 6.3: Securitisation According to Ratings by ECAIs

	SEPTEMBER 2013			
	Ratings of Securitisation by Approved ECAIs			
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation	**28,651**	26,013	-	2,638
Total	28,651	26,013	-	2,638

	MARCH 2013			
	Ratings of Securitisation by Approved ECAIs			
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating &	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation	**84,001**	69,963	10,394	3,644
Total	84,001	69,963	10,394	3,644

Note: All securitisations are for periods exceeding 12 months.

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

The aggregated exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows:

	SEPTEMBER 2013		
Exposures	Exposures before CRM RM '000	Exposures covered by Guarantees RM '000	Exposures covered by Eligible Financial Collateral RM '000
Credit risk			
On balance sheet exposures			
Sovereigns/ central banks	17,331,536	-	-
Banks, development financial institutions & MDBs	8,428,984	-	-
Insurance cos, securities firms & fund managers	-	-	-
Corporates	12,136,959	758,591	1,955,789
Regulatory retail	44,888,178	26,251	5,542,963
Residential mortgages	22,466,062	52,548	350,604
Higher risk assets	10,033,168	-	81,531
Other assets	323,816	-	-
Specialised Financing/ Investment	2,059,222	-	-
Securitisation	28,651	-	-
Equity	957,177	-	-
Defaulted exposures	1,235,213	14,226	127,131
Total for on balance sheet exposures	119,888,966	851,616	8,058,018
Off balance sheet exposures			
OTC derivatives	2,450,852	-	-
Credit derivatives	5	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,104,636	6,636	1,732,712
Defaulted exposures	59,459	-	10,417
Total for off balance sheet exposures	14,614,952	6,636	1,743,129
Total on and off balance sheet exposures	**134,503,918**	**858,252**	**9,801,147**

	MARCH 2013		
Exposures	Exposures before CRM RM '000	Exposures covered by Guarantees RM '000	Exposures covered by Eligible Financial Collateral RM '000
Credit risk			
On balance sheet exposures			
Sovereigns/ central banks	16,761,345	-	-
Banks, development financial institutions & MDBs	6,470,634	-	-
Insurance cos, securities firms & fund managers	-	-	-
Corporates	10,949,627	515,950	1,866,951
Regulatory retail	44,197,215	33,675	5,660,519
Residential mortgages	22,649,189	76,484	335,558
Higher risk assets	9,550,789	-	60,432
Other assets	351,100	-	-
Securitisation	84,001	-	-
Equity	1,234,347	-	-
Defaulted exposures	1,391,703	13,219	161,403
Total for on balance sheet exposures	115,474,919	639,328	8,084,863
Off balance sheet exposures			
OTC derivatives	2,289,966	-	-
Credit derivatives	68	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	11,921,679	9,492	1,768,930
Defaulted exposures	94,437	1	8,571
Total for off balance sheet exposures	14,306,150	9,493	1,777,501
Total on and off balance sheet exposures	**129,781,069**	**648,821**	**9,862,364**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

	SEPTEMBER 2013			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,453,638		1,317,831	1,164,320
Transaction related contingent Items	4,747,363		2,437,738	1,731,776
Short Term Self Liquidating trade related contingencies	666,079		134,749	102,429
Assets sold with recourse	100		100	100
Forward Asset Purchases	393,353		8,423	4,200
Obligations under underwriting agreements	421,981		-	-
Foreign exchange related contracts				
One year or less	18,363,214	149,599	322,159	241,620
Over one year to five years	3,510,705	130,144	387,626	308,659
Over five years	907,278	78,006	265,816	218,354
Interest/Profit rate related contracts				
One year or less	3,126,510	940	5,840	1,699
Over one year to five years	26,828,013	117,079	792,934	307,546
Over five years	9,270,883	69,808	618,300	316,765
Equity and commodity related contracts				
One year or less	624,371	5,284	18,119	9,186
Over one year to five years	649,944	1,283	40,059	20,029
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	306,207	5,712	4	1
Over five years	305,656	23,966	1	1
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,152,583		3,496,241	2,959,604
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,000,491		4,032,211	3,710,441
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 borrower's creditworthiness and others	200		200	200
Unutilised credit card lines	3,683,006		736,601	549,448
Total	102,411,575	581,821	14,614,952	11,646,378

Table 8.1: Off Balance Sheet Exposures (Contd.)

Description	MARCH 2013 Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,505,669		1,393,584	1,194,032
Transaction related contingent Items	4,393,242		2,252,662	1,645,676
Short Term Self Liquidating trade related contingencies	676,656		135,308	100,384
Assets sold with recourse	100		100	100
Forward Asset Purchases	108,266		10,072	7,114
Obligations under underwriting agreements	330,000		-	-
Foreign exchange related contracts				
One year or less	23,212,269	82,917	241,875	133,707
Over one year to five years	3,440,503	39,238	328,167	246,358
Over five years	837,446	32,439	212,963	164,560
Interest/Profit rate related contracts				
One year or less	4,548,404	5,343	13,907	4,760
Over one year to five years	22,110,386	96,743	694,104	271,428
Over five years	9,682,407	112,921	725,832	383,716
Equity and commodity related contracts				
One year or less	328,613	1,528	5,732	2,686
Over one year to five years	772,473	5,687	45,347	20,909
Over five years	355,913	1,430	22,781	11,390
Credit Derivative Contracts				
One year or less	267,510	-	39	8
Over one year to five years	298,274	1,978	18	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,925,080		3,478,927	3,039,849
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	19,859,798		4,105,154	3,709,615
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 borrower's creditworthiness and others	200		200	200
Unutilised credit card lines	3,789,712		639,367	476,873
Total	**103,740,673**	**391,176**	**14,306,150**	**11,413,377**

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

		30 SEPTEMBER 2013		31 MARCH 2013	
		Sell Leg	Buy Leg	Sell Leg	Buy Leg
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	311,863	300,000	425,088	438,448

* Out of the total notional exposure for protection bought as at 30 September 2013, RM283,500,000 (31 March 2013: RM421,948,000) has no counterpart credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of the Group are as follows:

	SEPTEMBER 2013			
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	198,543	-	130,178	-
Mortgage loans	723,555	-	715,260	-
Total Traditional Securitisation	922,098	-	845,438	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional & Synthetic Securitisation	**922,098**	**-**	**845,438**	**-**

	MARCH 2013			
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	235,946	-	144,021	-
Mortgage loans	701,729	-	693,572	-
Total Traditional Securitisation	937,675	-	837,593	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional & Synthetic Securitisation	**937,675**	**-**	**837,593**	**-**

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

	SEPTEMBER 2013					
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives 20% RM'000	50% RM'000	Risk Weighted Assets RM'000
<u>Traditional Securitisation</u>						
<u>Originated by Third Party</u>						
On-Balance Sheet	26,013	26,013	-	26,013	-	5,203
<u>Originated by the Group</u>						
On-Balance Sheet	2,638	2,638	-	-	-	32,971
Total Traditional Securitisation	28,651	28,651	-	26,013	-	38,174
Total Synthetic	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**28,651**	**28,651**	**-**	**26,013**	**-**	**38,174**

	MARCH 2013					
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives 20% RM'000	50% RM'000	Risk Weighted Assets RM'000
<u>Traditional Securitisation</u>						
<u>Originated by Third Party</u>						
On-Balance Sheet	80,357	80,357	-	69,963	10,394	19,190
<u>Originated by the Group</u>						
On-Balance Sheet	3,644	3,644	-	-	-	45,556
Total Traditional Securitisation	84,001	84,001	-	69,963	10,394	64,746
Total Synthetic	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**84,001**	**84,001**	**-**	**69,963**	**10,394**	**64,746**

Table 9.3: Securitisation under the Standardised Approach for Banking Book Exposures

	SEPTEMBER 2013				
Securitisation Exposures by Exposure Type	**Exposures Value of Positions Purchased or Retained RM'000**	**Exposures subject to deduction RM'000**	**General Risk Charge RM'000**	**Specific Risk Charge RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	40,795	-	1,178	816	24,920
Total Traditional Securitisation	40,795	-	1,178	816	24,920
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	40,795	-	1,178	816	24,920

	MARCH 2013				
Securitisation Exposures by Exposure Type	**Exposures Value of Positions Purchased or Retained RM'000**	**Exposures subject to deduction RM'000**	**General Risk Charge RM'000**	**Specific Risk Charge RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	111,335	-	2,966	2,227	64,913
Total Traditional Securitisation	111,335	-	2,966	2,227	64,913
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	111,335	-	2,966	2,227	64,913

10.0 Equities (Banking Book Positions)

Table 10.1: Equity Investments and Capital Requirement

An analysis of aggregated equity investments by appropriate equity groupings and risk weighted assets of the Group are as follows:

	SEPTEMBER 2013	MARCH 2013
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	229,495	233,680
Value of unquoted (privately held) equities	102,582	102,512
Total	332,077	336,192
Net realised and unrealised gains/ (losses)		
Cumulative realised gains/ (losses) from sales and liquidations	7,436	259
Total unrealised gains/ (losses)	(3,747)	(3,573)
Total	3,689	(3,314)
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	229,495	232,784
Equity investments subject to a 150% risk weight	153,874	155,113
Total	383,369	387,897
Total minimum capital requirement (8%)	30,670	31,032

11.0 Non-Traded Market Risk

Table 11.1: Market Risk Sensitivity – Interest Rate Risk/ Rate of Return Risk in the Banking Book

The aggregated IRR/ RORBB sensitivity for the Group is as follows:

Impact On Profit Before Taxation	**SEPTEMBER 2013**	
	Interest Rate / Rate of Return	**Interest Rate / Rate of Return**
	+ 100 bps	**- 100 bps**
Currency	**RM'000**	**RM'000**
MYR	121,195	(121,195)
Impact on Equity		
	Interest Rate / Rate of Return	**Interest Rate / Rate of Return**
	+ 100 bps	**- 100 bps**
Currency	**RM'000**	**RM'000**
MYR	(512,569)	570,263

Impact On Profit Before Taxation	**MARCH 2013**	
	Interest Rate / Rate of Return	**Interest Rate / Rate of Return**
	+ 100 bps	**- 100 bps**
Currency	**RM'000**	**RM'000**
MYR	101,423	(101,423)
Impact on Equity		
	Interest Rate / Rate of Return	**Interest Rate / Rate of Return**
	+ 100 bps	**- 100 bps**
Currency	**RM'000**	**RM'000**
MYR	(556,491)	617,680

12.0 Shariah Governance Structure

Group Islamic Banking operations observe the Shariah Governance Framework for Islamic Financial Institutions issued by BNM

12.1 Shariah non-compliant income

The control structure for handling and reporting of Shariah non-compliance incident has been put in place in the Group. During the period, there were no Shariah non-compliant incident reported and no Shariah non-compliant income declared.