AmIslamic Bank Berhad
Pillar 3 Disclosures

For the Financial Period

1 April 2013 to 30 September 2013

AmIslamic Bank Berhad
CAFIB - Pillar 3 Disclosures
As at 30 September 2013

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1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework - Basel II and Capital Adequacy Framework for Islamic Bank - CAFIB ("RWCAF") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Banking and Financial Institutions Act, 1989 ("BAFIA") and all Islamic banks licensed under section 3(4) of the Islamic Banking Act, 1983 ("IBA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("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 BAFIA and 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 RWCAF framework is applicable to the Bank, a subsidiary of AMMB Holdings Berhad ("AMMB"), which offers Islamic banking services.

The following information has been provided in order to highlight the capital adequacy of the Bank. The information provided has been verified by the Group internal auditors and certified by the Chief Executive Officer.

BNM guidelines on capital adequacy require regulated banking entities to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations.

1.0 Scope of Application (Contd.)

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 Bank were computed in accordance with BNM's Risk-Weighted and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components), which are based on the Basel II capital accord. The Bank 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.

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 ("Board"). The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Bank to support its strategy.

2.0 Capital Management (Contd.)

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 Bank's risk, performance and capital.

The Bank 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 Bank to gain a deeper understanding of its risk profile, for example, 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 Bank'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 Bank and how these events could be mitigated. The Bank's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Bank's assessment of risk appetite is closely integrated with the Bank'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 Bank's business activities.

The Bank 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 Bank's management disciplines.

The capital that the Bank is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Bank'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.

2.0 Capital Management (Contd.)

The Bank 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 Bank'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. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Bank'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% to 9.5% for the Common Equity Tier 1 capital ratio, 9.5% to 11.5% for the Tier 1 capital ratio, and 13.5% to 15.5% for the Total Capital ratio. The Bank has been operating within these ranges.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the on-going assessment of the demand for capital and the updating of the Bank's capital plan.

Appropriate policies are also in place governing the transfer of capital within the Bank. 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.

2.0 Capital Management (Contd.)

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	30 September 2013	31 March 2013
Common Equity Tier 1	9.984%	9.470%
Tier 1 capital ratio	9.984%	9.470%
Total capital ratio	15.136%	14.620%

On 28 December 2012, as part of an arrangement between AmBank (M) Berhad ("AmBank") and the 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 the Bank records its exposure as financing and advances. The RPSIA is a contract based on Shariah concept of Mudharabah between AmBank and the Bank to finance a specific business venture whereby AmBank solely provides capital and the business ventures are managed solely by the Bank 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 were RM478.5 million and RM2.8 million respectively. There was no individual allowance provided for the RPSIA financing. RPSIA assets excluded from the risk-weighted capital adequacy computation of the Bank amounted to RM478.5 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 ("RWA") and Capital Requirements

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

30 September 2013

Exposure class		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		5,453,389	5,453,389	-	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")		3,233,678	3,233,678	650,652	-	650,652	52,052
Corporates		10,923,062	10,751,537	8,531,359	478,528	8,052,831	644,227
Regulatory retail		12,961,175	12,950,046	9,898,310	-	9,898,310	791,865
Residential mortgages		137,776	137,754	48,251	-	48,251	3,860
Other assets		216,152	216,152	216,152	-	216,152	17,292
Defaulted exposures		213,270	212,351	254,806	-	254,806	20,384
Total on balance sheet exposures		**33,138,502**	**32,954,907**	**19,599,530**	**478,528**	**19,121,002**	**1,529,680**
Off balance sheet exposures							
Over the counter ("OTC") derivatives		53,146	53,146	36,678	-	36,678	2,934
Off balance sheet exposures other than OTC derivatives or credit derivatives		1,920,036	1,824,131	1,755,768	-	1,755,768	140,461
Defaulted exposures		322	114	172	-	172	14
Total off balance sheet exposures		**1,973,504**	**1,877,391**	**1,792,618**	**-**	**1,792,618**	**143,409**
Total on and off balance sheet exposures		**35,112,006**	**34,832,298**	**21,392,148**	**478,528**	**20,913,620**	**1,673,089**
2. **Large exposure risk requirement**							
3. **Market risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General profit rate risk	930,020	653,998		103,232	-	103,232	8,259
- Specific profit rate risk	276,005	-		51,959	-	51,959	4,157
Foreign Currency Risk	24,497	-		24,497	-	24,497	1,960
Total	**1,230,522**	**653,998**		**179,688**	**-**	**179,688**	**14,376**
4. **Operational risk**				1,449,622	-	1,449,622	115,970
5. **Total RWA and capital requirements**				23,021,458	478,528	22,542,930	1,803,435

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

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

31 March 2013

Exposure class		Gross Exposures/ EAD 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		6,062,718	6,062,718	-	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")		1,948,473	1,948,473	394,247	-	394,247	31,540
Corporates		9,932,971	9,788,718	8,085,735	500,866	7,584,869	606,790
Regulatory retail		13,155,072	13,142,161	10,037,300	-	10,037,300	802,984
Residential mortgages		147,218	147,188	51,849	-	51,849	4,148
Other assets		240,332	240,332	237,848	-	237,848	19,028
Defaulted exposures		204,858	202,541	250,127	-	250,127	20,010
Total on balance sheet exposures		**31,691,642**	**31,532,131**	**19,057,106**	**500,866**	**18,556,240**	**1,484,500**
Off balance sheet exposures							
Over the counter ("OTC") derivatives		51,471	51,471	28,935	-	28,935	2,315
Off balance sheet exposures other than OTC derivatives or credit derivatives		2,020,450	1,913,280	1,854,574	-	1,854,574	148,366
Defaulted exposures		9,218	8,970	13,454	-	13,454	1,076
Total off balance sheet exposures		**2,081,139**	**1,973,721**	**1,896,963**	**-**	**1,896,963**	**151,757**
Total on and off balance sheet exposures		**33,772,781**	**33,505,852**	**20,954,069**	**500,866**	**20,453,203**	**1,636,257**
2. **Large exposure risk requirement**		-	-	-	-	-	-
3. **Market risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General profit rate risk	1,935,655	630,342		414,905	-	414,905	33,193
- Specific profit rate risk	1,305,282	-		163,048	-	163,048	13,044
Foreign currency Risk	5,167	-		5,167	-	5,167	413
Total	**3,246,104**	**630,342**		**583,120**	**-**	**583,120**	**46,650**
4. **Operational risk**				1,406,226	-	1,406,226	112,498
5. **Total RWA and capital requirements**				22,943,415	500,866	22,442,549	1,795,405

3.0 Capital Structure

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The existing Tier 2 Capital instruments of the Bank 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. The Bank’s 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 recognized by the Bank shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital (if any) and Tier 2 Capital respectively), with the cap reducing by 10% in each subsequent year. To the extent that an instrument is redeemed or derecognized 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:

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.

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

Retained Earnings

Retained earnings at the end of the financial year/period and eligible reserves are accumulated resources included in the shareholder's 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.

3.1 Common Equity Tier 1 Capital (Contd.)

Other Disclosed Reserves

Other disclosed reserves comprise the following:

- **Statutory Reserve**

  Statutory reserve is maintained in compliance with the provisions of IBA and is not distributable as cash dividends. When IFSA came into effect to replace IBA, the maintenance of this reserve is in accordance with BNM guidelines on Capital Funds, which was effective from 30 June 2013.

- **Unrealized Gains/(Losses) on Available-for-Sale Financial**

  This comprises the unrealized gains/losses arising from changes in fair value of financial instruments (other than financing and receivables) classified as 'available-for-sale'. Where the outstanding balance of available-for-sale reserve is a net gain, the Bank can recognize 45% of the total outstanding balance as part of Common Equity Tier 1. Where the outstanding balance of available-for-sale reserve is a net loss, the entire outstanding balance is deducted in Common Equity Tier 1.

3.2 Additional Tier 1 Capital

The Bank does not have any Additional Tier 1 Capital in issue.

3.3 Tier 2 Capital

The main components of Tier 2 capital are collective assessment allowance and regulatory reserves (subject to a maximum of 1.25% 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 recognized in the computation of the capital adequacy ratios of the Bank has been capped at 90% 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. Table 3.1 outlines the application of the grandfathering provisions in respect of the Tier 2 capital instruments for the Bank. Details of the Tier 2 capital instruments are outlined below.

Table 3.1 Tier 2 Capital Instruments of the Bank and the Basel III Gradual Phase-Out Treatment

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

3.3 Tier 2 capital (Contd.)

Calendar year	Cap on Tier 2 capital instruments that can be recognized in capital adequacy computation each	
	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%	-

Subordinated Sukuk Musharakah

On 30 September 2011, the Bank implemented a Subordinated Sukuk Musharakah programme (“Sukuk Musharakah”) of up to RM2.0 billion. The purpose of the programme is to increase the 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 annum and is payable on a semi-annual basis.

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

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

The Subordinated Sukuk Musharakah is for a period of ten (10) years. The 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 100% of the principal amount together with the expected profit payments.

3.3 Tier 2 capital (Contd.)

Table 3.2: Capital Structure

The components of Common Equity Tier 1, Additional Tier 1, Tier 2, Total Capital and Risk Weighted Assets ("RWA") are as follows:

	30 September 2013 RM'000	31 March 2013 RM'000
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	462,922	462,922
Share premium	724,185	724,185
Retained earnings	652,753	521,327
Unrealised losses on available-for-sale ("AFS") financial instruments	(13,449)	(7,256)
Statutory reserve	424,266	424,266
Less : Regulatory adjustments applied on CET1 capital		
- Intangible assets	(36)	(50)
CET1 capital	2,250,641	2,125,394
Additional Tier 1 ("T1") capital		
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	-	-
Less : Regulatory adjustments applied on T1 capital	-	-
T1 capital	2,250,641	2,125,394
Tier 2 ("T2") capital		
Tier 2 capital instruments (subject to gradual phase-out treatment)	900,000	900,000
Collective allowance and regulatory reserves	261,420	255,665
Less : Regulatory adjustments applied on T2 capital	-	-
T2 capital	1,161,420	1,155,665
Total Capital	3,412,061	3,281,059

3.3 Tier 2 capital (Contd.)

	30 September 2013 RM'000	31 March 2013 RM'000
Credit RWA	21,392,148	20,954,069
Less : Credit RWA absorbed by RPSIA	(478,528)	(500,866)
Total Credit RWA	20,913,620	20,453,203
Market RWA	179,688	583,120
Operational RWA	1,449,621	1,406,226
Total Risk Weighted Assets	22,542,929	22,442,549

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board, 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 taking into account the Bank'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 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's, 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.

4.0 General Risk Management (Contd.)

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 statement of financial position.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for Common Equity Tier 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/Financing Deposit Ratio is within 90% range with continually improving current account and savings account ("CASA") deposit composition and market share.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Bank. The Risk Management Committee of Directors 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.

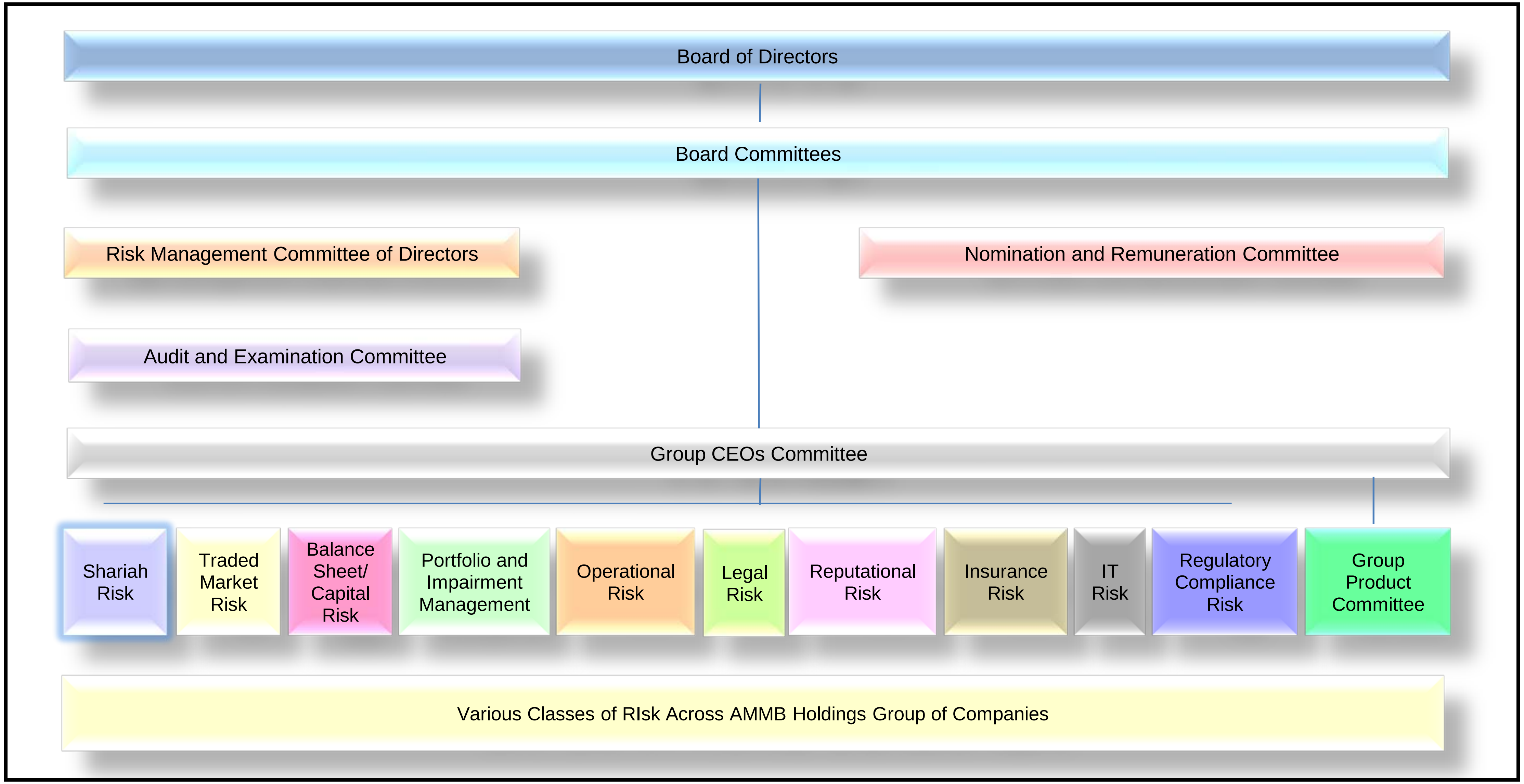
The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance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

4.0 General Risk Management (Contd.)

Risk Management Governance

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.



4.0 General Risk Management (Contd.)

Strategic Risk

Strategic risk is the risk of not achieving the Bank’s corporate strategic goals. The Bank’s overall strategic planning reflects the Bank’s vision and mission, taking into consideration the Bank’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 Bank 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 Bank 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

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 financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/or positions as well as Shariah compliance risk.

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 Bank's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the customer or counterparty using a 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 Bank's credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of customers 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;
- enhance pricing models;
- financing loss provision calculation;
- stress testing; and
- enhance portfolio management.

5.0 Credit Risk Management (Contd.)

Financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Bank'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 Bank's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector;
  - country; and
- asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- setting financing to value limits for asset backed financing (that is, 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 Bank requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments 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 meet to review the quality and diversification of the Bank's financing portfolio, approve new and amended credit risk policy, 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 Bank applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

5.0 Credit Risk Management (Contd.)

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Financing

All 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 profit) due under the contractual terms are received late or missed.

A financing is classified as impaired under the following circumstances:

(a) where the principal or 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 financing exhibits weaknesses that render a classification appropriate to the Bank's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Bank's Watch-list Policy.

(c) for 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 to be classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these financing shall be classified as impaired when the principal or profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

5.1 Impairment (Contd.)

5.1.2 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, that is, 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

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 allowance is computed after making the necessary adjustments to reflect current economic conditions.

5.0 Credit Risk Management

Table 5.1: Distribution of gross credit exposures by sector

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

30 September 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	-	-	-	-	-	-	-	4,586,033	-	-	567,323	-	300,033	5,453,389
Banks, DFI and MDB	-	-	-	-	-	-	-	3,233,678	-	-	-	-	-	3,233,678
Corporates	605,526	77,662	2,251,427	218,770	2,059,178	644,561	876,104	942,176	2,089,167	520,101	448,037	154,543	35,810	10,923,062
Regulatory retail	34,367	13,128	66,928	5,735	68,330	83,260	41,100	2,050	6,576	31,867	45,284	12,562,413	137	12,961,175
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	137,776	-	137,776
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	216,152	216,152
Defaulted exposures	1,922	3,908	26,212	25	11,432	7,004	9,297	40	4,874	1,876	1,561	145,119	-	213,270
Total on balance sheet exposures	641,815	94,698	2,344,567	224,530	2,138,940	734,825	926,501	8,763,977	2,100,617	553,844	1,062,205	12,999,851	552,132	33,138,502
Off balance sheet exposures														
OTC derivatives	-	-	27	-	-	77	-	53,042	-	-	-	-	-	53,146
Off balance sheet exposures other than OTC derivatives or credit derivatives	85,257	24,442	400,324	35,179	428,033	145,746	83,147	68,048	340,408	93,892	21,967	193,367	226	1,920,036
Defaulted exposures	-	-	10	-	12	200	-	100	-	-	-	-	-	322
Total off balance sheet exposures	85,257	24,442	400,361	35,179	428,045	146,023	83,147	121,190	340,408	93,892	21,967	193,367	226	1,973,504
Total on and offbalance sheet exposures	**727,072**	**119,140**	**2,744,928**	**259,709**	**2,566,985**	**880,848**	**1,009,648**	**8,885,167**	**2,441,025**	**647,736**	**1,084,172**	**13,193,218**	**552,358**	**35,112,006**

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

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

31 March 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	-	-	-	-	-	-	-	5,406,689	-	-	355,896	-	300,133	6,062,718
Banks, DFI and MDB	-	-	-	-	-	-	-	1,948,473	-	-	-	-	-	1,948,473
Corporates	563,394	61,426	2,300,884	224,944	2,118,925	666,721	667,547	507,362	1,804,427	421,844	444,466	121,666	29,365	9,932,971
Regulatory retail	33,220	9,456	72,531	1,191	69,491	87,909	48,703	2,451	15,771	43,661	42,418	12,728,089	181	13,155,072
Residential mortgages	-	-	-	-	-	-	-	-			-	147,218	-	147,218
Other assets	-	-	-	-	-	-	-	-			-	-	240,332	240,332
Defaulted exposures	200	4,026	30,013	46	6,417	9,298	1,896	-	32,881	6,101	2,566	111,414	-	204,858
Total on balance sheet exposures	596,814	74,908	2,403,428	226,181	2,194,833	763,928	718,146	7,864,975	1,853,079	471,606	845,346	13,108,387	570,011	31,691,642
Off balance sheet exposures														
OTC derivatives	-	-	1	-	-	-	-	51,470	-	-	-	-	-	51,471
Off balance sheet exposures other than OTC derivatives or credit derivatives	82,047	17,891	577,091	35,609	404,505	188,205	67,179	58,065	267,204	82,433	65,207	174,708	306	2,020,450
Defaulted exposures	-	-	8,652	-	51	471	-	-	-	44		-	-	9,218
Total off balance sheet exposures	82,047	17,891	585,744	35,609	404,556	188,676	67,179	109,535	267,204	82,477	65,207	174,708	306	2,081,139
Total on and off balance sheet exposures	**678,861**	**92,799**	**2,989,172**	**261,790**	**2,599,389**	**952,604**	**785,325**	**7,974,510**	**2,120,283**	**554,083**	**910,553**	**13,283,095**	**570,317**	**33,772,781**

Table 5.2: Impaired and past due financing and advances, individual and collective allowances by sector

The amounts of impaired and past due financing and advances, individual and collective allowances, charges/(writeback) for individual impairment allowances and write offs during the year/period by sector of the Bank are as follows:

30 September 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not Allocated RM'000	Total RM'000
Impaired financing and advances	1,969	-	47,902	37	2,429	9,040	8,694	-	4,115	5,872	17,263	244,010	156	-	**341,487**
Past due financing	17,481	3,283	87,822	521	38,699	30,534	48,051	503	4,272	22,713	82,236	4,438,850	369	-	**4,775,334**
Individual allowances	-	-	22,256	-	-	951	-	-	-	-	6,225	-	-	-	**29,432**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	491,855	**491,855**
Charges/(Writeback) for individual allowances - net	-	20	22,185	-	-	951	-	-	(5,429)	470	3,270	-	-	-	**21,467**
Write-offs against individual allowances	-	20	5,996	-	-	-	-	-	-	470	-	-	-	-	**6,486**

31 March 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not Allocated RM'000	Total RM'000
Impaired financing and advances	359	22	16,725	106	1,997	7,599	211	-	9,124	4,375	13,017	214,908	-	-	**268,443**
Past due financing	21,636	691	33,817	515	29,647	31,255	12,375	613	38,015	22,207	90,646	4,366,487	743	-	**4,648,647**
Individual allowances	-	-	6,067	-	-	-	-	-	5,429	-	2,955	-	-	-	**14,451**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	490,410	**490,410**
Charges/(Writeback) for individual allowances - net	-	-	8,031	-	-	-	-	-	5,429	-	(289)	-	-	-	**13,171**
Write-offs against individual allowances	-	-	15,044	-	-	-	-	-	-	-	-	-	-	-	**15,044**

Table 5.3: Geographical distribution of credit exposures

The geographic distribution of credit exposures of the Bank is as follows:

30 September 2013	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On balance sheet exposures			
Sovereigns/central banks	5,453,389	-	5,453,389
Banks, DFI and MDB	3,209,179	24,499	3,233,678
Corporates	10,923,062	-	10,923,062
Regulatory retail	12,961,175	-	12,961,175
Residential mortgages	137,776	-	137,776
Other assets	216,152	-	216,152
Defaulted exposures	213,270	-	213,270
Total on balance sheet exposures	33,114,003	24,499	33,138,502
Off balance sheet exposures			
OTC derivatives	53,146	-	53,146
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,920,036	-	1,920,036
Defaulted exposures	322	-	322
Total off balance sheet exposures	1,973,504	-	1,973,504
Total on and off balance sheet exposures	**35,087,507**	**24,499**	**35,112,006**

31 March 2013	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On balance sheet exposures			
Sovereigns/central banks	6,062,718	-	6,062,718
Banks, DFI and MDB	1,942,836	5,637	1,948,473
Corporates	9,907,228	25,743	9,932,971
Regulatory retail	13,155,072	-	13,155,072
Residential mortgages	147,218	-	147,218
Other assets	240,332	-	240,332
Defaulted exposures	204,858	-	204,858
Total on balance sheet exposures	31,660,262	31,380	31,691,642
Off balance sheet exposures			
OTC derivatives	51,471	-	51,471
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,020,450	-	2,020,450
Defaulted exposures	9,218	-	9,218
Total off balance sheet exposures	2,081,139	-	2,081,139
Total on and off balance sheet exposures	**33,741,401**	**31,380**	**33,772,781**

Table 5.4: Geographical distribution of impaired and past due financing and advances, individual and collective allowances

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

30 September 2013	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired financing			
and advances	341,487	-	341,487
Past due financing	4,775,334	-	4,775,334
Individual allowances	29,432	-	29,432
Collective allowances	491,855	-	491,855

31 March 2013	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired financing			
and advances	268,443	-	268,443
Past due financing	4,648,647	-	4,648,647
Individual allowances	14,451	-	14,451
Collective allowances	490,410	-	490,410

Table 5.5: Residual contractual maturity by major types of credit exposure

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

30 September 2013	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	3,366,165	722,085	-	-	-	173,488	1,191,651	-	5,453,389
Banks, DFI and MDB	1,474,075	1,596,961	-	-	123,511	-	39,131	-	3,233,678
Corporates	3,653,205	1,031,546	459,894	319,657	762,445	1,461,948	3,234,367	-	10,923,062
Regulatory retail	333,979	8,290	16,863	84,250	828,881	1,743,173	9,945,739	-	12,961,175
Residential mortgages	25	8	35	114	1,573	4,713	131,308	-	137,776
Other assets	-	-	-	-	-	-	-	216,152	216,152
Defaulted exposures	40,279	6,460	1,268	7,380	30,428	22,626	104,829	-	213,270
Total on balance sheet exposures	8,867,728	3,365,350	478,060	411,401	1,746,838	3,405,948	14,647,025	216,152	33,138,502
Off balance sheet exposures									
OTC derivatives	152	12,064	14	21,110	19,806	-	-	-	53,146
Off balance sheet exposures other than OTC derivatives or credit derivatives	264,780	127,533	146,337	286,863	373,705	77,593	643,225	-	1,920,036
Defaulted exposures	316	-	-	3	-	-	3	-	322
Total off balance sheet exposures	265,248	139,597	146,351	307,976	393,511	77,593	643,228	-	1,973,504
Total on and off balance sheet exposures	**9,132,976**	**3,504,947**	**624,411**	**719,377**	**2,140,349**	**3,483,541**	**15,290,253**	**216,152**	**35,112,006**

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

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

31 March 2013	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	3,204,803	1,731,018	-	-	-	170,446	956,451	-	6,062,718
Banks, DFI and MDB	1,029,280	776,920	-	-	121,811	-	20,462	-	1,948,473
Corporates	3,129,843	884,892	437,074	376,697	1,004,075	1,039,927	3,060,463	-	9,932,971
Regulatory retail	348,031	9,132	21,278	60,768	871,372	1,641,456	10,203,035	-	13,155,072
Residential mortgages	31	22	20	53	1,568	4,161	141,363	-	147,218
Other assets	7,822	-	-	-	-	-	-	232,510	240,332
Defaulted exposures	37,147	5,791	3,167	3,736	32,239	40,550	82,228	-	204,858
Total on balance sheet exposures	7,756,957	3,407,775	461,539	441,254	2,031,065	2,896,540	14,464,002	232,510	31,691,642
Off balance sheet exposures									
OTC derivatives	3,185	9,074	3,347	9,891	25,974	-	-	-	51,471
Off balance sheet exposures other than OTC derivatives or credit derivatives	290,507	171,953	182,234	342,556	344,801	59,327	629,072	-	2,020,450
Defaulted exposures	304	7,401	1,237	238	35	-	3	-	9,218
Total off balance sheet exposures	293,996	188,428	186,818	352,685	370,810	59,327	629,075	-	2,081,139
Total on and off balance sheet exposures	**8,050,953**	**3,596,203**	**648,357**	**793,939**	**2,401,875**	**2,955,867**	**15,093,077**	**232,510**	**33,772,781**

Table 5.6: Reconciliation of changes to financing impairment allowances

The reconciliation of changes to financing impairment allowances of the Bank is as follows:

30 September 2013	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	14,451	490,410
Charge for the period – net	21,467	94,568
Amount written-off	(6,486)	(93,123)
Balance at 30 September	29,432	491,855

31 March 2013	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	16,324	460,411
Charge for the year – net	13,171	195,964
Transferred to AmBank *	-	(1,871)
Amount written-off	(15,044)	(164,094)
Balance at 31 March	14,451	490,410

30 September 2013	(Charge offs)/Recoveries RM'000
Bad financing written off during the period	(3,112)
Bad financing recoveries during the period	45,394

31 March 2013	(Charge offs)/ Recoveries RM'000
Bad financing written off during the year	(8,500)
Bad financing recoveries during the year	81,548

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

6 **Credit Risk Exposure under the Standardised Approach**

Table 6.1: Credit exposures by risk weights under the Standardised Approach

The breakdown of credit risk exposures by risk weights of the Bank is as follows:

30 September 2013

Risk Weights	Exposures after netting and credit risk mitigation										
	Sovereigns and central banks	Public sector entities	Banks, DFI and MDB	Insurance companies, securities firms and fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	5,453,389	-	14,632	-	1,647,047	-	-	-	-	7,115,068	-
20%	-	-	3,196,345	-	716,507	157	-	-	-	3,913,009	782,602
35%	-	-	-	-	-	-	137,543	-	-	137,543	48,140
50%	-	-	55,573	-	42,657	13,364	3,115	-	-	114,709	57,354
75%	-	-	-	-	-	12,397,267	-	-	-	12,397,267	9,297,950
100%	-	-	-	150	10,023,487	809,970	2,143	-	216,152	11,051,902	11,051,902
150%	-	-	-	-	24,782	75,804	-	2,214	-	102,800	154,200
Total	5,453,389	-	3,266,550	150	12,454,480	13,296,562	142,801	2,214	216,152	34,832,298	21,392,148
Deduction from Capital Base											

6 **Credit Risk Exposure under the Standardised Approach (Contd.)**

Table 6.1: Credit exposures by risk weights under the Standardised Approach (Contd.)

The breakdown of credit risk exposures by risk weights of the Bank is as follows:

31 March 2013

Risk Weights	Exposures after netting and credit risk mitigation										
	Sovereigns and central banks	Public sector entities	Banks, DFI and MDB	Insurance companies, securities firms and fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,062,718	-	14,825	-	1,410,058	-	-	-	2,485	7,490,086	-
20%	-	-	1,908,611	-	362,134	160	-	-	-	2,270,905	454,181
35%	-	-	-	-	-	-	144,996	-	-	144,996	50,749
50%	-	-	70,096	-	42,852	13,879	4,901	-	-	131,728	65,863
75%	-	-	-	-	-	12,595,849	-	-	-	12,595,849	9,446,887
100%	-	-	-	150	9,723,502	780,060	2,525	-	237,848	10,744,085	10,744,085
150%	-	-	-	-	78,370	46,149	-	3,684	-	128,203	192,304
Total	6,062,718	-	1,993,532	150	11,616,916	13,436,097	152,422	3,684	240,333	33,505,852	20,954,069
Deduction from Capital Base											

6 Credit Risk Exposure under the Standardised Approach (Contd.)

Depending on the exposure class, the following ratings by the following ECAIs are allowed:

- Moody’s Investors Service ("Moodys")
- Standard & Poor’s Rating Services ("S&P")
- Fitch Rating ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")
- Rating and Investment Information, Inc ("RII")

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2013

Exposure Class	Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Credit exposures (using corporate risk weights)					
Insurance companies, securities firms and fund managers	**150**	-	-	-	150
Corporates	**12,720,254**	577,860	41,904	13,184	12,087,306
Total	**12,720,404**	**577,860**	**41,904**	**13,184**	**12,087,456**

31 March 2013

Exposure Class	Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Credit exposures (using corporate risk weights)					
Insurance companies, securities firms and fund managers	**150**	-	-	-	150
Corporates	**11,868,152**	237,669	32,781	12,372	11,585,330
Total	**11,868,302**	**237,669**	**32,781**	**12,372**	**11,585,480**

6 Credit Risk Exposure under the Standardised Approach (Contd.)

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

30 September 2013

Exposure class		Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Sovereigns and central banks	5,453,389	-	5,453,389	-	-	-	-
Total	5,453,389	-	5,453,389	-	-	-	-

31 March 2013

Exposure class		Ratings of sovereigns and central banks by approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Sovereigns and central banks	6,062,718	-	6,062,718	-	-	-	-
Total	6,062,718	-	6,062,718	-	-	-	-

6 Credit Risk Exposure under the Standardised Approach (Contd.)

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

30 September 2013

Exposure class	Ratings of banking institutions by approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
		RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Banks, DFI and MDB	3,266,550	547,994	226,877	432,282	2,059,397
Total	3,266,550	547,994	226,877	432,282	2,059,397

31 March 2013

Exposure class	Ratings of banking institutions by approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
		RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Banks, DFI and MDB	1,993,532	229,536	50,189	266,785	1,447,022
Total	1,993,532	229,536	50,189	266,785	1,447,022

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

30 September 2013

Exposures	Exposures before CRM RM'000	Exposures covered by guarantees / credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Credit Risk			
On balance sheet exposures			
Sovereigns/central banks	5,453,389	-	-
Banks, DFI abd MDB	3,233,678	-	-
Corporates	10,923,062	758,591	962,511
Regulatory retail	12,961,175	157	24,237
Residential mortgages	137,776	-	292
Other assets	216,152	-	-
Defaulted exposures	213,270	17	6,863
Total on balance sheet exposures	33,138,502	758,765	993,903
Off balance sheet exposures			
OTC derivatives	53,146	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,920,036	4,803	255,563
Defaulted exposures	322	-	212
Total off balance sheet exposures	1,973,504	4,803	255,775
Total on and off balance sheet exposures	**35,112,006**	**763,568**	**1,249,678**

Table 7.1: Credit Risk Mitigation (Contd.)

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

31 March 2013

Exposures	**Exposures before CRM RM'000**	**Exposures covered by guarantees / credit derivatives RM'000**	**Exposures covered by eligible financial collateral RM'000**
Credit Risk			
On balance sheet exposures			
Sovereigns/central banks	6,062,718	-	-
Banks, DFI abd MDB	1,948,473	-	-
Corporates	9,932,971	515,950	989,285
Regulatory retail	13,155,072	160	28,543
Residential mortgages	147,218	-	272
Other assets	240,332	-	-
Defaulted exposures	204,858	-	9,901
Total on balance sheet exposures	31,691,642	516,110	1,028,001
Off-balance sheet exposures			
OTC derivatives	51,471	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,020,450	6,466	283,260
Defaulted exposures	9,218	1	248
Total off balance sheet exposures	2,081,139	6,467	283,508
Total on and off balance sheet exposures	**33,772,781**	**522,577**	**1,311,509**

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.0: Off Balance Sheet Exposures

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

30 September 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	124,262		124,262	112,613
Transaction related contingent items	670,329		335,165	254,392
Short term self liquidating trade related contingencies	69,808		13,962	11,976
Obligations under an on-going underwriting agreement	50,000		-	-
Foreign exchange related contracts				
One year or less	665,253	12,864	27,719	23,964
Equity and commodity related contracts				
One year or less	119,006	977	5,621	2,811
Over one year to five years	319,458	639	19,806	9,903
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,091,871		535,052	511,405
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,070,103		818,373	795,730
Unutilised credit card lines	467,721		93,544	69,824
Total	7,647,811	14,480	1,973,504	1,792,618

31 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	121,738		121,738	99,559
Transaction related contingent items	580,655		290,327	223,299
Short term self liquidating trade related contingencies	58,850		11,770	10,552
Obligations under an on-going underwriting agreement	80,000		-	-
Foreign exchange related contracts				
One year or less	623,738	5,470	17,086	11,742
Equity and commodity related contracts				
One year or less	159,844	419	8,411	4,206
Over one year to five years	420,532	2,035	25,974	12,987
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,066,005		533,003	510,465
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,896,985		979,397	954,379
Unutilised credit card lines	467,164		93,433	69,774
Total	8,475,511	7,924	2,081,139	1,896,963

9.0 Securitisation

The Bank does not have any securitisation exposure in its trading and banking books nor did it undertake any securitisation activities during the current financial period and for year ended 31 March 2013.

10.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2013 and 31 March 2013.

11.0 Non-Traded Market Risk

Market Risk Sensitivity – Rate of Return Risk ("RORBB") in the Banking Book

The RORBB sensitivity for the Bank is as follows:

30 September 2013

	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(4,426)	4,426
Impact on equity	(297,819)	325,607

31 March 2013

	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(10,392)	10,392
Impact on equity	(307,157)	335,186

12.0 Shariah Governance Structure

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 Bank. During the financial period, there was no Shariah non-compliant incident reported and Shariah non-compliant income declared.