AmBank (M) Berhad

Pillar 3 Disclosures

As at 31 March 2014

Contents

1.0 Scope of Application

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

The FSA 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 have replaced the Banking and Financial Institutions Act 1989 ("BAFIA"). On 27 June 2013, BNM has issued the Capital Adequacy Framework (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) issued on 19 April 2007.

The banking entity at AmBank (M) Berhad Group level to which the RWCAF applies is AmBank (M) Berhad ("the Bank").

The Bank 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 RWA of the Bank refers to the combined capital base and RWA of the Bank and AMIL.

The following information has been provided in order to highlight the capital adequacy of the Group and 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.

With effect from 1 January 2013, the capital adequacy ratios are computed in accordance to 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 and its Group were computed in accordance to BNM's Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) (as applicable), which is 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 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 ("CET 1") 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 the Bank comprise the financial statements of the Bank 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. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

For purposes of this Pillar 3 Report, 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.

Type of entity	Accounting treatment	
	Statutory reporting	**Basel III regulatory reporting**
Subsidiaries licensed under FSA 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 which are licensed under FSA or engaged in financial activities	Equity accounted	Deducted in calculation of capital.
Associates which are not licensed under FSA or 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 approval of the Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("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. 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.

2.0 Capital Management (Contd.)

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. 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 ended 31 March 2014 ("FY 2014"), these ranges are 7.5% to 9.5% for the CET 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 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 holding company, AMMB, and its group entities when due.

2.0 Capital Management (Contd.)

Table 2.1: Capital Adequacy Ratio

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

	Group		Bank	
	2014	2013 (Restated)	2014	2013 (Restated)
Before deducting proposed dividends:				
CET 1 Capital	9.864%	9.320%	9.453%	9.185%
Tier 1 Capital ratio	11.832%	11.566%	11.418%	11.435%
Total Capital ratio	15.711%	14.890%	14.916%	14.729%
After deducting proposed dividends:				
CET 1 Capital	9.557%	8.744%	9.146%	8.608%
Tier 1 Capital ratio	11.525%	10.990%	11.112%	10.858%
Total Capital ratio	15.404%	14.315%	14.609%	14.152%

Notes:
The capital position and RWA of the Bank refers to the combined capital base and RWA of the Bank and its wholly-owned offshore banking subsidiary company, AMIL.

The restated comparative capital adequacy ratios and balances in the respective tables were due to:

a) the effect of the pooling of interests method arising from the acquisition of a subsidiary, AmCard Services Berhad ("AmCard") and transfer of assets, liabilities, activities, business and undertakings of the credit card business from MBF Cards (M'sia) Sdn Bhd ("MBF Cards"). The Bank, AmCard and MBF Cards are under common control, accordingly, the abovementioned acquisitions had been accounted for by the Group and the Bank via the pooling of interests method and;

b) consolidation of collective investment scheme, AmCash Premium. At the date of initial application of MFRS 10, Consolidated Financial Statements ("MFRS 10") (1 April 2013), the Group and the Bank reassessed its investment in this collective investment scheme based on the new requirements of MFRS 10 and have concluded that the Bank has control over the investment.

2.0 Capital Management (Contd.)

Table 2.1: Capital Adequacy Ratio

(b) The capital adequacy ratios of AMIL are follows:

	AMIL	
	2014	**2013**
Core capital ratio	86.773%	61.253%
Risk weighted capital ratio	87.019%	61.382%

The capital adequacy ratios of AMIL for capital compliance on a standalone basis as reported by the subsidiary are computed in accordance with the BNM guidelines of RWCAF based on the Basel II capital accord.

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

As at 31 March 2014, the gross exposure and collective allowance relating to the PSIA financing are RM450.1 million and RM2.5 million (31 March 2013: RM500.9 million and RM2.1 million) respectively. There was no individual allowance provided for the PSIA financing. PSIA assets excluded from the risk-weighted capital adequacy computation of AmIslamic amounted to RM450.1 million (31 March 2013: RM500.9 million) and the risk-weight on these PSIA assets are accounted for in the computation of capital adequacy of the Bank.

Table 2.2 : Risk-Weighted Assets and Capital Requirements

The breakdown of risk weighted assets (“RWA”) by exposures in major risk category of the Group is as follows:

2014 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000
1. **Credit risk**				
On balance sheet exposures				
Sovereigns/Central banks	9,910,054	9,910,054	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	5,208,851	5,208,851	1,120,688	89,655
Insurance companies, Securities firms and Fund managers	32,857	32,857	32,857	2,629
Corporates	33,581,695	31,540,951	28,534,338	2,282,747
Regulatory retail	21,980,477	21,835,871	16,451,961	1,316,157
Residential mortgages	10,370,131	10,349,003	3,678,252	294,260
Higher risk assets	112,185	112,185	168,278	13,462
Other assets	2,494,888	2,494,888	2,079,453	166,356
Securitisation exposures	171,382	171,382	113,723	9,098
Equity exposures	9,386	9,386	9,386	751
Defaulted exposures	954,587	945,155	1,016,560	81,325
Total on balance sheet exposures	**84,826,493**	**82,610,583**	**53,205,496**	**4,256,440**
Off balance sheet exposures				
Over the counter ("OTC") derivatives	2,272,990	2,272,990	1,297,888	103,831
Credit derivatives	16	16	8	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,531,656	8,826,398	7,863,839	629,107
Defaulted exposures	35,944	31,148	46,657	3,733
Total off balance sheet exposures	**11,840,606**	**11,130,552**	**9,208,392**	**736,672**
Total on and off balance sheet exposures	**96,667,099**	**93,741,135**	**62,413,888**	**4,993,112**
2. **Large exposure risk requirement**	-	-	143,864	11,509
3. **Market risk**	**Long position**	**Short position**		
Interest rate risk				
- General interest rate risk	62,182,420	60,291,040	1,602,686	128,215
- Specific interest rate risk	2,401,052	323,439	321,237	25,699
Foreign currency risk	242,079	58,505	242,079	19,366
Equity risk				
- General risk	209,669	1,485	208,184	16,655
- Specific risk	209,669	1,485	301,755	24,140
Option risk	1,262,074	2,147,956	163,182	13,055
Total	**66,506,963**	**62,823,910**	**2,839,123**	**227,130**
4. **Operational risk**			5,128,626	410,290
5. **Total RWA and capital requirements**			**70,525,501**	**5,642,041**

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

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

The breakdown of risk weighted assets (“RWA”) by exposures in major risk category of the Group is as follows:

2013 (Restated) Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000		Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirement at 8% RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	10,493,675		10,493,675	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	3,974,876		3,974,876	919,402	73,552
Insurance companies, Securities firms and Fund managers	24,380		24,380	24,380	1,950
Corporates	31,008,985		29,365,986	26,858,952	2,148,716
Regulatory retail	22,501,971		22,337,729	16,770,857	1,341,669
Residential mortgages	9,536,578		9,520,796	3,485,231	278,819
Higher risk assets	110,768		110,768	166,152	13,292
Other assets	1,788,843		1,788,843	1,293,362	103,469
Securitisation exposures	84,001		84,001	64,746	5,180
Equity exposures	192,104		192,104	192,104	15,368
Defaulted exposures	1,185,809		1,042,305	1,179,287	94,343
Total on balance sheet exposures	**80,901,990**		**78,935,463**	**50,954,473**	**4,076,358**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,238,495		2,238,495	1,216,583	97,327
Credit derivatives	68		68	20	2
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,713,334		9,049,823	8,087,538	647,003
Defaulted exposures	85,219		81,509	122,264	9,781
Total off balance sheet exposures	**12,037,116**		**11,369,895**	**9,426,405**	**754,113**
Total on and off balance sheet exposures	**92,939,106**		**90,305,358**	**60,380,878**	**4,830,471**
2. **Large exposure risk requirement**	-		-	120,393	9,631
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	58,153,060	54,013,804		2,176,400	174,112
- Specific interest rate risk	4,260,577	79,756		801,741	64,139
Foreign currency risk	233,121	57,029		233,121	18,650
Equity risk					
- General risk	238,867	28,745		210,122	16,810
- Specific risk	238,867	28,745		229,726	18,378
Option risk	1,038,718	2,398,407		71,071	5,686
Total	**64,163,210**	**56,606,486**		**3,722,181**	**297,775**
4. **Operational risk**				5,286,131	422,890
5. **Total RWA and capital requirements**				**69,509,583**	**5,560,767**

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

3.0 Capital Structure

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

- CET 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 Additional Tier 1 and Tier 2 Capital instruments of the Group and the Bank that were issued prior to 2013 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. These 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 the Group and the Bank shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital and Tier 2 Capital respectively), with the cap reducing by 10% 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.

Tables 3.2 summarise the gradual phase-out treatment for the capital instruments of the Group and the Bank.

3.1 CET 1 Capital

CET 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 Bank to continue trading. It can only be redeemed on the winding up of the Bank.

Share Premium

Share premium is used to record premium arising from new shares issued by the Bank.

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 CET 1 Capital net of any interim and/or final dividend declared, and net of any interim losses. Quarterly interim profits have been included in CET 1 Capital subject to review/audit by the external auditors.

Other Disclosed Reserves

Other disclosed reserves comprise the following:

- **Statutory Reserve**
  Statutory reserve is maintained in compliance with the provisions of BAFIA and is not distributable as cash dividends. When FSA came into effect to replace the repealed BAFIA, the maintenance of this reserve is in accordance with Section 47(2) f of the FSA.

- **Merger Reserve**
  The merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring and was accounted for using the merger accounting method.

3.1 CET 1 Capital (Contd.)

Other Disclosed Reserves (contd.)

- **Foreign Currency Translation Reserve**

  Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statement of foreign operations, whose functional currencies are different from that of the Group's presentation currency.

- **Available-for-Sale Reserve**

  This comprises the unrealised fair value gains and lossess on financial investments available-for-sale. Where the available-for-sale reserve is a net gain outstanding balance, the Bank can recognise 45% of the total outstanding balance as part of CET 1 Capital. Where the available-for-sale reserve is a net loss outstanding balance, the entire outstanding balance is deducted in CET 1 Capital.

- **Cash Flow Hedging Reserve**

  Cash flow hedge reserve relates to the amount of the hedging of the items that are not fair valued in the statement of financial position (including projected cash flows). The amount of the cash flow hedging reserve is derecognised in the calculation of CET 1 Capital.

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 Group and the Bank for 2013, has been capped at 90% of the total qualifying Additional Tier 1 balance outstanding as at 1 January 2013. For 2014, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 80% of the total qualifying Additional Tier 1 balance outstanding as at 1 January 2013. This is in accordance to 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 Additional Tier 1 Capital Instruments of the Group and the Bank. Details of the Additional Tier 1 Capital Instruments are outlined below.

Table 3.1: Additional Tier 1 Capital Instruments of the Group and the Bank 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 recognised 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

3.2 Additional Tier 1 Capital (Contd.)

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 the Bank 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 the Bank. The gross proceeds from the issuance was on-lent to the Bank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing the Bank'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 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month US dollar LIBOR plus 2.90%, 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 nor 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, the Bank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bear a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% 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 the Bank's ordinary shares. Upon BNM's approval, the Bank 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.

3.2 Additional Tier 1 Capital (Contd.)

Non-innovative Tier 1 Capital

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

- Non-Cumulative Perpetual Capital Securities (“NCPCS”), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- Subordinated Notes (“SubNotes”), which are issued by AmPremier Capital Berhad (“AmPremier”), a wholly-owned subsidiary of the Bank (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 Sub-Notes will be assigned to the Bank pursuant to the forward purchase contract entered into by the Bank 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 annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to the Bank 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 the Bank 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 tenure 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 the Bank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. 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 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.

The amount of Tier 2 Capital issued prior to 2013 that can be recognised in the computation of the capital adequacy ratios of the Group and the Bank for 2013, has been capped at 90% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. For 2014, the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 80% per cent of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance to the transitional gradual phase-out treatment under the Basel III regime. Table 3.2 outlines the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for the Group and the Bank. Details of the Tier 2 Capital Instruments are outlined below.

Table 3.2: Tier 2 Capital Instruments of the Group and the Bank 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 recognised 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

Medium Term Notes

In the financial year 2008, the Bank implemented a RM2.0 billion nominal value MTN Programme whereby the proceeds raised from the MTN Programme had been and will be 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 MTNs 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 under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are eligible for gradual phase-out treatment under the transitional arrangement of the Basel III accord, for recognition as Tier 2 Capital for capital adequacy calculation.

3.3 Tier 2 Capital (Contd.)

Medium Term Notes (Contd.)

The salient features of the MTNs issued and outstanding are as follows:

(i) Tranche 3 amounting to RM75 million was issued on 14 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(ii) Tranche 5 amounting to RM75 million was issued on 28 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

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

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

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

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

(i) Tranche 3 – at the beginning of the 8th year
(ii) Tranche 5 – at the beginning of the 8th year
(iii) Tranche 6 – at the beginning of the 11th year
(iv) 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 outstanding in issuance has amounted to RM1,557.8 million (31 March 2013: RM1,557.8 million).

Basel III Subordinated Notes

On 30 December 2013, the Bank established a new Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing the Bank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III compliant.

The programme has a tenor of thirty (30) years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenor of at least five (5) years from the issue date, and is callable on any coupon payment date after a minimum period of five (5) years from the date of issuance of each tranche. The Tier 2 Subordinated Notes have been assigned a credit rating of AA3 by RAM Rating Services Berhad ("RAM").

On 30 December 2013, the Bank has issued the first tranche of Tier 2 Subordinated Notes under the programme, of RM400.0 million. The interest rate of this tranche is at 5.20%, payable on a half-yearly basis. The full amount issued qualified for recognition of capital adequacy ratio computation.

Table 3.3: Capital Structure

The components of CET 1, Additional Tier 1, Tier 2, and Total Capital of the Group and the Bank are as follows:

	Group		Bank	
	2014	2013 (Restated)	2014	2013 (Restated)
	RM'000	RM'000	RM'000	RM'000
CET 1 Capital				
Ordinary shares	820,364	820,364	820,364	820,364
Share premium	942,844	942,844	942,844	942,844
Retained earnings	4,607,531	3,543,813	4,408,666	3,501,590
Available-for-sale reserve	(71,094)	(9,174)	(72,241)	(8,402)
Foreign currency translation reserve	(1,990)	(14,760)	(1,990)	(14,760)
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	104,149	570,473	48,516	507,017
Cash flow hedging reserve	3,029	(12,644)	3,029	(12,644)
Less: Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(334,857)	(235,655)	(330,679)	(235,655)
Deferred tax assets	(90,488)	(120,781)	(51,825)	(120,523)
Cash flow hedging reserve	(3,029)	12,644	(3,029)	12,644
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(613)	-	(67,722)	-
Total CET 1 Capital	**6,956,815**	**6,478,093**	**6,676,902**	**6,373,444**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	1,561,590	1,388,080	1,561,590
Total Tier 1 Capital	**8,344,895**	**8,039,683**	**8,064,982**	**7,935,034**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	-	400,000	-
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,557,800	1,557,800	1,557,800	1,557,800
Collective allowance and regulatory reserves	780,174	754,761	783,541	758,440
Less: Regulatory adjustments applied on Tier 2 Capital	(2,450)	(1,955)	(270,888)	(30,133)
Total Tier 2 Capital	**2,735,524**	**2,310,606**	**2,470,453**	**2,286,107**
Total Capital	**11,080,419**	**10,350,289**	**10,535,435**	**10,221,141**

The breakdown of the risk weighed assets ("RWA") in various categories of risk are as follows:

	Group		Bank	
	2014	2013 (Restated)	2014	2013 (Restated)
	RM'000	RM'000	RM'000	RM'000
Credit RWA	62,413,888	60,380,878	62,683,302	60,675,227
Market RWA	2,839,123	3,722,181	2,839,123	3,722,181
Operational RWA	5,128,626	5,286,131	4,965,805	4,875,083
Large exposure risk RWA for equity holdings	143,864	120,393	143,864	120,393
Total RWA	**70,525,501**	**69,509,583**	**70,632,094**	**69,392,884**

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 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 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 strategic goals are to sustain the top quartile ROE, and to maintain the credit rating of BBB+ or better (from international rating agencies) for the next one to two years. This is supported by sustainable asset quality and continued portfolio diversification within retail, non-retail, and insurance businesses, with greater contribution from non-interest income, complemented by robust management of liquidity, disciplined execution of interest rate risk/rate of return risk in the balance sheet, and with support from strong level of capital.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for CET 1 Capital, Tier 1 Capital, and Total 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% range with continually improving current account and savings account ("CASA") deposit composition and market share.

The Group manages Operational Risk by setting the operational risk appetite statements and measurements that the Group is willing to tolerate to support its business strategies and objectives. The Group manages its reputational risk by not engaging in any activity that has potential to result in a material event or loss that would be outside the expectations of its stakeholders. The Group also manages its regulatory compliance risk by setting positive compliance culture and ensuring that the letter and spirit of regulatory requirements, applicable laws, rules, and standards in the respective jurisdictions are complied with.

The Group manages Shariah risk by ensuring that its operations, business, affairs and activities are in compliance with rulings of the BNM's Shariah Advisory Council (SAC) and the bank's Shariah Committee.

The Group manages trading activities by instituting appropriate governance, culture, and controls to promote acceptable trading behaviour.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board 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.

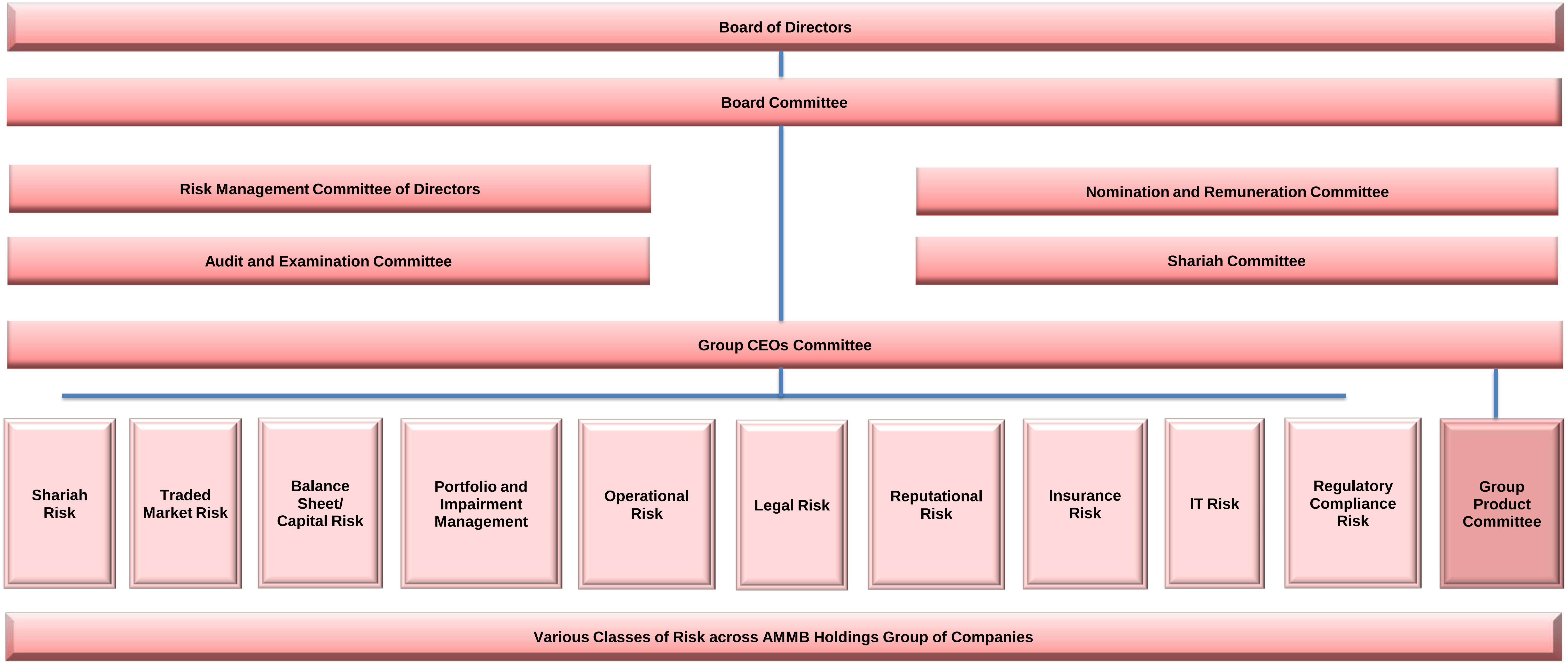
The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance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

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 (chart)

Risk Management Governance (Contd.)

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 minimizing 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.

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.

The following key principles underpin the ICAAP:

4.1.1 The Group must maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- Group Risk Appetite, including the Bank's target credit rating category;
- regulatory capital requirements;
- the Board and Management's targeted financial performance; and
- the Group's planned asset growth and strategic business objectives.

4.1.2 Management oversight

The ICAAP must be subject to Board and senior management oversight, form an integral part of the Group's capital management and decision making processes, and will:

- undergo regular, effective and comprehensive review;
- satisfy regulatory requirements;
- be capable of independent assessment and validation; and
- be incorporated into the Group's overall risk management strategy and governance frameworks.

4.1 Internal Capital Adequacy Assessment Process (Contd.)

The following key principles underpin the ICAAP (contd.):

4.1.3 Capital Management Plan and Framework

The ICAAP must include an approved Capital Management Framework and Plan including:

- a strategy for maintaining capital resources over time;
- measures that would be taken in the event capital falls below a targeted level;
- measures to ensure that the Group is in compliance with minimum regulatory standards; and
- stressed capital plans; with clearly documented assumptions consistent with the Group's strategic planning cycles.

4.1.4 The Group's quality and level of capital must commensurate with the level of risks in the business. Sufficient capital should be maintained to:

- meet minimum prudential requirements in all jurisdictions in which the Group operates, also any rating agencies' requirements, including maintaining appropriate buffers over minimum capital levels;
- be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- ensure there is sufficient capital to support the regulatory capital requirements of the business, including those resulting from the outcomes of stress testing.

The Group will have appropriately established capital targets for each major capital type; including:

- minimums;
- triggers; and
- target operating ranges.

4.1.5 Capital allocation

- The Group's capital, excluding any amount held centrally for strategic contingencies (e.g. acquisitions) should be allocated to individual business units using regulatory capital allocation principles;
- capital allocation should be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements; and
- the Group should only retain capital that is required to meet its economic, operational, prudential and strategic requirements. Consideration should be given to returning capital in excess of that required to shareholders.

4.1.6 Material Risks

- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and
- processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

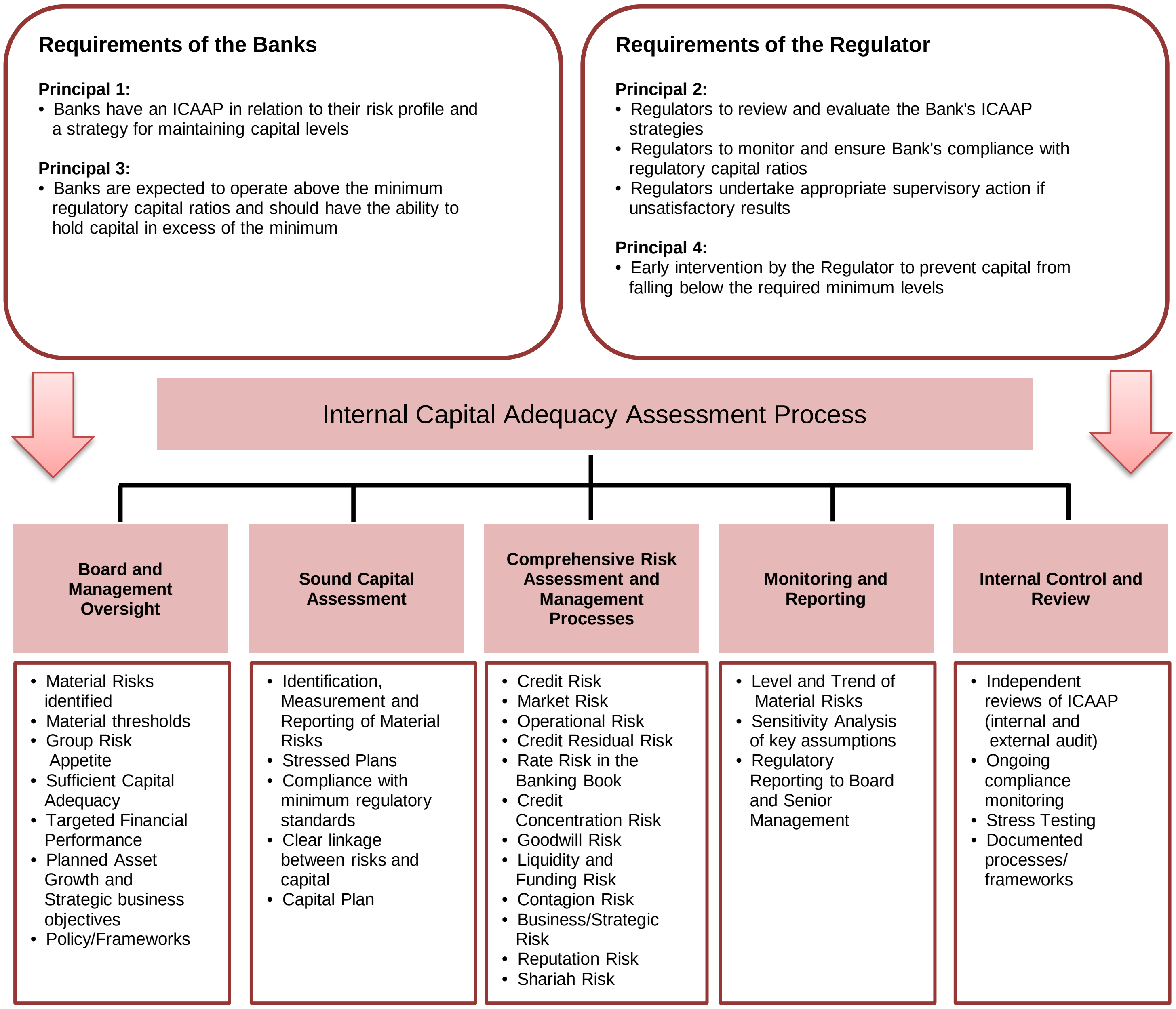
4.1.7 The Board must be notified and the regulator advised as soon as practicable of any:

- significant departure from its ICAAP;
- concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- significant changes in its capital.

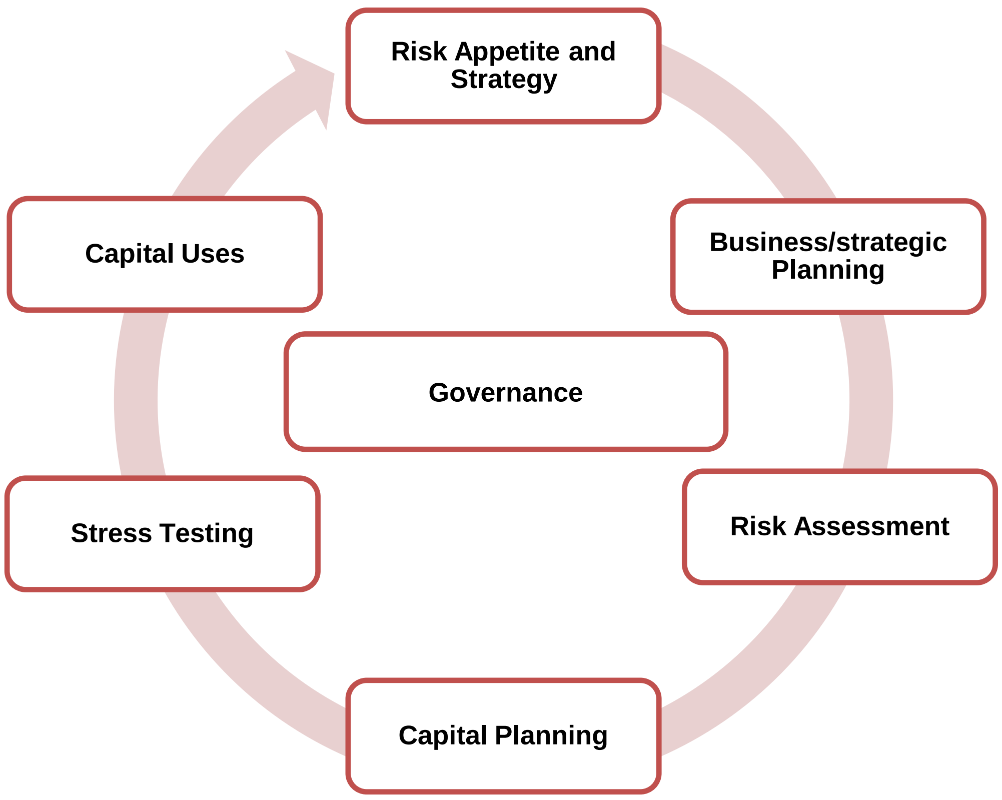
4.1.8 The cost of capital should be reviewed annually. The cost of capital should be set with reference to the Group's long term ROE objectives.

4.1 Internal Capital Adequacy Assessment Process (Contd.)

ICAAP Framework



Overview of ICAAP process and setting Internal Capital Targets



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 and 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 Groups transactions and/or positions.

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 activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. 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 to Value limits for asset backed loans (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.

5.0 Credit Risk Management (Contd.)

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. 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 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 advances

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

A loan is classified as impaired under the following circumstances:

(a) where the principal or interest or both is past due[1] 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 exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under impaired loan as required under the Group's Classified Account Management Policy.

(c) for loans 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 shall be classified as impaired when the principal or interest or both is past due for more than 90 days or 3 months.

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

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, 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 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 are computed after making the necessary adjustments to reflect current economic conditions.

Table 5.1 : Distribution of gross credit exposures by sector

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

2014	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	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	-	-	-	-	63,114	-	-	7,661,588	-	-	2,185,352	-	-	9,910,054
Banks, DFIs and MDBs	-	-	-	-	-	-	-	5,128,339	-	798	69,627	-	10,087	5,208,851
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	32,857	-	-	-	-	-	32,857
Corporates	2,925,699	3,077,946	5,920,444	1,369,545	3,985,242	3,371,951	2,055,762	3,172,887	4,834,558	1,109,240	1,061,660	470,450	226,311	33,581,695
Regulatory retail	80,415	18,092	195,804	2,837	206,883	283,546	91,940	244,852	77,816	96,470	115,065	20,522,974	43,783	21,980,477
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	10,370,131	-	10,370,131
Higher risk assets	-	-	-	-	-	-	-	918	417	-	-	22,439	88,411	112,185
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	2,494,888	2,494,888
Securitisation exposures	-	-	-	-	-	-	91,586	74,397	-	-	5,399	-	-	171,382
Equity exposures	-	-	18	-	-	-	1,860	5,642	1,650	36	-	-	180	9,386
Defaulted exposures	11,144	570	97,011	276	87,876	29,809	41,425	8,457	6,489	4,587	10,237	643,676	13,030	954,587
Total for on balance sheet exposures	3,017,258	3,096,608	6,213,277	1,372,658	4,343,115	3,685,306	2,282,573	16,329,937	4,920,930	1,211,131	3,447,340	32,029,670	2,876,690	84,826,493
Off balance sheet exposures														
OTC derivatives	4,450	9,672	60,514	-	9,338	6,197	45,270	2,102,887	2,671	26,132	-	-	5,859	2,272,990
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatitives	250,538	184,432	1,655,272	192,670	1,881,639	756,911	361,858	536,365	944,233	133,447	342,595	2,271,181	20,515	9,531,656
Defaulted exposures	-	-	4,072	-	17,686	4,166	500	5,156	-	4,183	12	47	122	35,944
Total for off balance sheet exposures	254,988	194,104	1,719,858	192,670	1,908,663	767,274	407,628	2,644,424	946,904	163,762	342,607	2,271,228	26,496	11,840,606
Total on and off balance sheet exposures	**3,272,246**	**3,290,712**	**7,933,135**	**1,565,328**	**6,251,778**	**4,452,580**	**2,690,201**	**18,974,361**	**5,867,834**	**1,374,893**	**3,789,947**	**34,300,898**	**2,903,186**	**96,667,099**

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

The distribution of credit exposures by sector of the Group as follows (contd.):

2013 (Restated)	**Agriculture**	**Mining and quarrying**	**Manufacturing**	**Electricity, gas and water**	**Construction**	**Wholesale and retail trade and hotels and restaurants**	**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	-	-	-	-	-	-	-	9,754,372	-	-	739,303	-	-	10,493,675
Banks, DFIs and MDBs	-	-	-	-	-	28	-	3,952,695	-	22,153	-	-	-	3,974,876
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	24,380	-	-	-	-	-	24,380
Corporates	2,605,593	1,983,363	5,030,211	778,837	2,877,730	4,348,404	2,005,021	4,062,073	5,140,551	666,794	880,329	470,681	159,398	31,008,985
Regulatory retail	86,623	21,077	246,243	6,356	251,161	381,607	139,281	271,769	24,165	140,043	74,423	20,857,605	1,618	22,501,971
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	9,536,578	-	9,536,578
Higher risk assets	-	-	27	-	-	-	-	869	1,331	-	-	20,150	88,391	110,768
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	1,788,843	1,788,843
Securitisation exposures	53,958	-	-	-	-	-	-	24,176	-	-	5,867	-	-	84,001
Equity exposures	-	-	42	-	124	240	1,550	4,060	3,903	38	-	-	182,147	192,104
Defaulted exposures	9,521	5,192	205,022	265	64,756	40,986	153,956	23,394	27,576	5,420	28,373	619,101	2,247	1,185,809
Total for on balance sheet exposures	2,755,695	2,009,632	5,481,545	785,458	3,193,771	4,771,265	2,299,808	18,117,788	5,197,526	834,448	1,728,295	31,504,115	2,222,644	80,901,990
Off balance sheet exposures														
OTC derivatives	2,966	6,780	46,989	-	9,169	12,843	61,998	2,073,674	485	18,688	-	-	4,903	2,238,495
Credit derivatives	-	-	-	-	-	-	-	68	-	-	-	-	-	68
Off balance sheet exposures other than OTC derivatives or Credit derivatitives	289,037	207,825	1,789,437	173,718	2,060,594	765,183	289,438	466,434	1,013,302	169,489	96,480	2,368,378	24,019	9,713,334
Defaulted exposures	30	4,000	23,335	-	41,621	11,717	815	1,088	2,300	-	-	287	26	85,219
Total for off balance sheet exposures	292,033	218,605	1,859,761	173,718	2,111,384	789,743	352,251	2,541,264	1,016,087	188,177	96,480	2,368,665	28,948	12,037,116
Total on and off balance sheet exposures	**3,047,728**	**2,228,237**	**7,341,306**	**959,176**	**5,305,155**	**5,561,008**	**2,652,059**	**20,659,052**	**6,213,613**	**1,022,625**	**1,824,775**	**33,872,780**	**2,251,592**	**92,939,106**

Table 5.2 : Impaired and past due loans and advances, Individual and collective allowances by sector

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

2014	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants 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	Unallocated RM'000	Total RM'000
Impaired loans and advances	5,990	4,005	194,862	24,193	24,022	33,832	57,136	1,155	4,680	15,042	9,082	922,845	1,667	-	**1,298,511**
Past due loans	32,865	15,492	229,420	24,193	112,961	117,742	171,600	5,476	133,268	72,433	47,147	9,229,636	5,560	-	**10,197,793**
Individual allowances	11	3,127	91,160	21,240	2,586	-	8,324	-	88	89	-	7,130	-	-	**133,755**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,411,219	**1,411,219**
Charges/(writeback) for individual allowances	(5,161)	4,059	82,817	(3,249)	3,078	4,348	37,290	-	606	2,666	26,020	4,881	(5,523)	-	**151,832**
Write-offs against individual allowances	-	15,618	84,115	-	14,784	6,046	35,052	-	567	4,080	26,410	-	245	-	**186,917**

2013 (Restated)	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants 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	Unallocated RM'000	Total RM'000
Impaired loans and advances	20,239	17,866	238,061	25,800	49,114	42,309	18,382	28,287	9,120	11,023	43,049	893,959	10,963	-	**1,408,172**
Past due loans	73,568	23,547	328,922	25,800	147,717	132,313	114,816	28,287	108,767	57,654	187,921	9,962,934	10,963	-	**11,203,209**
Individual allowances	5,172	14,686	92,458	24,489	14,292	1,698	6,086	-	49	1,503	390	2,249	5,768	-	**168,840**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,492,899	**1,492,899**
Charges/(writeback) for individual allowances	(6,356)	162,567	94,804	(4,775)	17,297	3,986	7,262	855	(3,637)	(26)	2,241	(1,255)	2,313	-	**275,276**
Write-offs against individual allowances	-	147,881	15,815	168	34,903	5,222	2,270	898	9,737	-	2,431	68	1,517	-	**220,910**

Table 5.3 : Geographical distribution of credit exposures

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

2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	9,387,649	522,405	9,910,054
Banks, DFIs and MDBs	4,170,009	1,038,842	5,208,851
Insurance companies, Securities firms and Fund managers	155	32,702	32,857
Corporates	32,189,501	1,392,194	33,581,695
Regulatory retail	21,980,477	-	21,980,477
Residential mortgages	10,370,131	-	10,370,131
Higher risk assets	111,267	918	112,185
Other assets	2,494,158	730	2,494,888
Securitisation exposures	171,382	-	171,382
Equity exposures	9,350	36	9,386
Defaulted exposures	954,587	-	954,587
Total for on balance sheet exposures	**81,838,666**	**2,987,827**	**84,826,493**
Off balance sheet exposures			
OTC derivatives	2,272,990	-	2,272,990
Credit derivatives	16	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,292,879	238,777	9,531,656
Defaulted exposures	35,944	-	35,944
Total for off balance sheet exposures	**11,601,829**	**238,777**	**11,840,606**
Total on and off balance sheet exposures	**93,440,495**	**3,226,604**	**96,667,099**

Table 5.3 : Geographical distribution of credit exposures (contd.)

The geographic distribution of credit exposures of the Group is as follows (contd.):

2013 (Restated)	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/Central banks	10,493,675	-	10,493,675
Banks, DFIs and MDBs	3,589,200	385,676	3,974,876
Insurance companies, Securities firms and Fund managers	-	24,380	24,380
Corporates	29,947,668	1,061,317	31,008,985
Regulatory retail	22,501,971	-	22,501,971
Residential mortgages	9,536,578	-	9,536,578
Higher risk assets	109,899	869	110,768
Other assets	1,787,824	1,019	1,788,843
Securitisation exposures	84,001	-	84,001
Equity exposures	192,066	38	192,104
Defaulted exposures	1,185,809	-	1,185,809
Total for on balance sheet exposures	**79,428,691**	**1,473,299**	**80,901,990**
Off balance sheet exposures			
OTC derivatives	2,238,495	-	2,238,495
Credit derivatives	68	-	68
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,580,097	133,237	9,713,334
Defaulted exposures	85,219	-	85,219
Total for off balance sheet exposures	**11,903,879**	**133,237**	**12,037,116**
Total on and off balance sheet exposures	**91,332,570**	**1,606,536**	**92,939,106**

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

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

2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,298,511	-	1,298,511
Past due loans	10,197,793	-	10,197,793
Individual allowances	133,755	-	133,755
Collective allowances	1,396,448	14,771	1,411,219

2013 (Restated)	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,408,172	-	1,408,172
Past due loans	11,203,209	-	11,203,209
Individual allowances	168,840	-	168,840
Collective allowances	1,479,041	13,858	1,492,899

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 Group is as follows:

2014	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	4,751,818	1,024,994	217,140	394,031	-	264,850	3,257,221	-	9,910,054
Banks, DFIs and MDBs	3,476,350	768,201	696,008	-	51,671	114,844	95,475	6,302	5,208,851
Insurance companies, Securities firms and Fund managers	156	-	-	-	-	-	32,701	-	32,857
Corporates	9,277,340	2,649,973	2,089,322	1,124,366	2,707,638	4,576,016	11,157,040	-	33,581,695
Regulatory retail	1,638,985	78,334	118,378	249,678	2,163,202	4,057,957	13,673,943	-	21,980,477
Residential mortgages	1,338	389	1,489	3,904	62,469	133,082	10,167,460	-	10,370,131
Higher risk assets	462	26	62	119	607	1,373	21,125	88,411	112,185
Other assets	564,742	2,864	3,277	6,684	-	230,201	-	1,687,120	2,494,888
Securitisation exposures	4,040	-	-	-	-	-	167,342	-	171,382
Equity exposures	5,641	-	-	-	-	-	3,565	180	9,386
Defaulted exposures	139,537	12,502	15,179	28,629	114,132	130,670	513,938	-	954,587
Total for on balance sheet exposures	**19,860,409**	**4,537,283**	**3,140,855**	**1,807,411**	**5,099,719**	**9,508,993**	**39,089,810**	**1,782,013**	**84,826,493**
Off balance sheet exposures									
OTC derivatives	48,620	53,943	40,875	100,438	557,388	721,878	749,848	-	2,272,990
Credit derivatives	-	-	-	-	10	-	6	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,194,506	901,202	1,028,835	1,652,562	1,386,236	824,042	2,544,273	-	9,531,656
Defaulted exposures	13,214	1,360	5,186	6,114	6,124	193	3,753	-	35,944
Total for off balance sheet exposures	**1,256,340**	**956,505**	**1,074,896**	**1,759,114**	**1,949,758**	**1,546,113**	**3,297,880**	**-**	**11,840,606**
Total on and off balance sheet exposures	**21,116,749**	**5,493,788**	**4,215,751**	**3,566,525**	**7,049,477**	**11,055,106**	**42,387,690**	**1,782,013**	**96,667,099**

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 Group is as follows (contd.):

2013 (Restated)	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	6,416,334	1,215,651	-	-	15,272	255,669	2,590,749	-	10,493,675
Banks, DFIs and MDBs	1,850,595	759,781	536,916	305,761	258,987	20,467	242,369	-	3,974,876
Insurance companies, Securities firms and Fund managers	5	-	24,375	-	-	-	-	-	24,380
Corporates	7,380,581	2,151,645	3,130,993	1,026,327	3,727,881	4,253,213	9,338,345	-	31,008,985
Regulatory retail	2,035,648	36,869	76,944	191,731	2,449,985	4,165,054	13,545,740	-	22,501,971
Residential mortgages	16,390	973	1,094	4,191	44,962	118,690	9,350,278	-	9,536,578
Higher risk assets	462	16	16	58	421	688	20,716	88,391	110,768
Other assets	525,537	2,760	3,156	6,393	-	243,378	-	1,007,619	1,788,843
Securitisation exposures	65	-	-	-	-	-	83,936	-	84,001
Equity exposures	5,455	-	-	-	-	-	4,502	182,147	192,104
Defaulted exposures	225,334	99,251	69,092	87,640	92,081	86,549	525,862	-	1,185,809
Total for on balance sheet exposures	**18,456,406**	**4,266,946**	**3,842,586**	**1,622,101**	**6,589,589**	**9,143,708**	**35,702,497**	**1,278,157**	**80,901,990**
Off balance sheet exposures									
OTC derivatives	51,289	82,489	34,920	74,989	359,653	696,361	938,794	-	2,238,495
Credit derivatives	-	39	-	-	-	18	11	-	68
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,625,712	662,790	1,278,646	1,637,346	1,511,092	489,052	2,508,696	-	9,713,334
Defaulted exposures	21,502	4,533	2,145	30,059	23,953	945	2,082	-	85,219
Total for off balance sheet exposures	**1,698,503**	**749,851**	**1,315,711**	**1,742,394**	**1,894,698**	**1,186,376**	**3,449,583**	**-**	**12,037,116**
Total on and off balance sheet exposures	**20,154,909**	**5,016,797**	**5,158,297**	**3,364,495**	**8,484,287**	**10,330,084**	**39,152,080**	**1,278,157**	**92,939,106**

Table 5.6 : Reconciliation of changes to loans impairment allowances exposure

The reconciliation of changes to loans impairment allowances of the Group are as follows:

	Collective impairment allowances		Individual impairment allowances	
	2014 RM'000	2013 (Restated) RM'000	2014 RM'000	2013 RM'000
Balance at beginning of financial year	1,454,239	1,584,690	168,840	114,474
Effect arising from the pooling of interests	38,660	-	-	-
As restated	1,492,899	1,584,690	168,840	114,474
Charge to income statement, net	360,079	259,774	151,832	275,276
Amount transferred from AmIslamic *	-	1,871	-	-
Amount written-off and others	(443,170)	(399,183)	(186,917)	(220,910)
Effect arising from the pooling of interests	-	40,536	-	-
Foreign exchange differences	1,411	5,211	-	-
Balance at end of financial year	**1,411,219**	**1,492,899**	**133,755**	**168,840**

* as at 31 March 2014, the gross exposure and collective allowance relating to the PSIA financing are RM450.1 million and RM2.5 million (31 March 2013: RM500.9 million and RM2.1 million) respectively.

There was no individual allowance provided for the PSIA financing.

	(Charge offs)/ recoveries	
	2014 RM'000	2013 (Restated) RM'000
Bad debts written off during the year	(68,396)	(74,751)
Bad debt recoveries during the year	730,944	567,432

6.0 Credit Risk Exposure under the Standardised Approach

The Bank adopts the list of eligible External Credit Assessment Institutions ("ECAIs") that is allowed by BNM for the following exposure classes:

- Sovereigns and Central Banks
- Banking Insitutions
- Corporate
- Securitisations

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

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

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

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

2014	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residental mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	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	RM'000
0%	9,910,054	-	-	1,354,331	-	-	-	410,276	-	-	11,674,661	-
20%	200	5,372,868	-	2,232,102	11,436	-	-	6,449	164,923	-	7,787,978	1,557,595
35%	-	-	-	-	-	9,986,815	-	-	-	-	9,986,815	3,495,385
50%	-	1,836,476	-	288,222	23,684	534,120	-	-	-	-	2,682,502	1,341,251
75%	-	-	-	-	23,799,318	-	-	-	-	-	23,799,318	17,849,488
100%	-	66	53,410	34,592,191	379,746	118,386	-	2,078,163	-	9,386	37,231,348	37,231,348
150%	-	-	-	241,145	204,510	-	126,399	-	-	-	572,054	858,082
1250%	-	-	-	-	-	-	-	-	6,459	-	6,459	80,739
Total	**9,910,254**	**7,209,410**	**53,410**	**38,707,991**	**24,418,694**	**10,639,321**	**126,399**	**2,494,888**	**171,382**	**9,386**	**93,741,135**	**62,413,888**
Deduction from capital base									-		-	

2013 (Restated)	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residental mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	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	RM'000
0%	10,493,675	19,957	-	1,383,437	-	-	-	495,178	-	-	12,392,247	-
20%	40,448	4,050,030	-	1,512,050	88,615	-	-	379	69,963	-	5,761,485	1,152,297
35%	-	-	-	-	-	8,513,940	-	-	-	-	8,513,940	2,979,879
50%	-	1,868,175	-	314,357	31,502	1,124,625	-	-	10,394	-	3,349,053	1,674,527
75%	-	-	-	-	24,361,445	-	-	-	-	-	24,361,445	18,271,084
100%	313	9,063	64,912	33,085,338	493,467	117,078	-	1,293,286	-	192,104	35,255,561	35,255,561
150%	-	-	-	418,115	124,665	-	125,203	-	-	-	667,983	1,001,974
1250%	-	-	-	-	-	-	-	-	3,644	-	3,644	45,556
Total	**10,534,436**	**5,947,225**	**64,912**	**36,713,297**	**25,099,694**	**9,755,643**	**125,203**	**1,788,843**	**84,001**	**192,104**	**90,305,358**	**60,380,878**
Deduction from capital base									-		-	

Table 6.2: Rated exposures according to ratings by ECAIs

2014		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	B to D	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	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	53,410	-	-	-	-	53,410
Corporates	41,423,922	1,899,110	193,743	-	33	39,331,036
Total	**41,477,332**	**1,899,110**	**193,743**	**-**	**33**	**39,384,446**

2013 (Restated)		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	B to D	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	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	64,912	-	-	-	-	64,912
Corporates	39,061,580	980,896	264,375	95,599	-	37,720,710
Total	**39,126,492**	**980,896**	**264,375**	**95,599**	**-**	**37,785,622**

Table 6.2: Rated exposures according to ratings by ECAIs (contd.)

2014	Short term ratings of banking institutions and corporate by approved ECAIs					
	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
Exposure class	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	RII	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, DFIs and MDBs	104,813	104,813	-	-	-	-
Total	**104,813**	**104,813**	-	-	-	**-**

2013	Short term ratings of banking institutions and corporate by approved ECAIs					
	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
Exposure class	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	RII	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, DFIs and MDBs	133,446	133,446	-	-	-	-
Rated credit exposures						
Corporates	69,608	69,608	-	-	-	-
Total	**203,054**	**203,054**	-	-	-	**-**

Table 6.2: Rated exposures according to ratings by ECAIs (contd.)

2014	Ratings of sovereigns and central banks 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
Exposure class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	9,910,254	522,405	9,387,849	-	-	-
Total	**9,910,254**	**522,405**	9,387,849	-	-	**-**

2013	Ratings of sovereigns and central banks 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
Exposure class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	10,534,436	-	10,285,305	-	-	249,131
Total	**10,534,436**	**-**	10,285,305	-	-	**249,131**

Table 6.2: Rated exposures according to ratings by ECAIs (contd.)

2014						
	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**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	7,104,597	1,046,138	914,704	925,132	62	4,218,561
Total	**7,104,597**	**1,046,138**	**914,704**	**925,132**	**62**	**4,218,561**

2013						
	Ratings of banking institutions by approved ECAIs					
(Restated)	**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**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	5,813,779	1,886,488	1,038,943	1,863,270	61	1,025,017
Total	**5,813,779**	**1,886,488**	**1,038,943**	**1,863,270**	**61**	**1,025,017**

Table 6.3: Securitisation according to ratings by ECAIs

2014	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
	RII	AAA to AA-	A+ to A-	Unrated
		RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	171,382	164,923	-	6,459
Total	**171,382**	**164,923**	**-**	**6,459**

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
	RII	AAA to AA-	A+ to A-	Unrated
		RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	84,001	69,963	10,394	3,644
Total	**84,001**	**69,963**	**10,394**	**3,644**

7.0 Credit Risk Mitigation

Main types of collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- cash and term deposits
- exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- non-exchange traded debt securities/sukuk
- unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- non-exchange traded shares
- residential and non-residential property
- plantation land, mining land, quarry land and vacant land
- passenger vehicle, commercial vehicle, construction vehicle and vessel
- plant and machineries

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SIs") in its non-retail portfolio to assess the strength of collateral supporting its exposures.

Processes for collateral management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower, where borrower's risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower is not recognised as part of the risk grade enhancement.

Use of credit derivatives and netting for risk mitigation

Currently, the Bank does not use credit derivatives for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan is extended, amortisation schedules and loan covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan to Value metrics.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

Table 7.1 : Credit Risk Mitigation

The total exposures and eligible guarantees and collateral of the Group are as follows:

2014 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	9,910,054	-	-
Banks, DFIs and MDBs	5,208,851	-	-
Insurance companies, Securities firms and Fund managers	32,857	-	-
Corporates	33,581,695	28,791	5,456,996
Regulatory retail	21,980,477	9,262	306,585
Residential mortgages	10,370,131	-	98,531
Higher risk assets	112,185	-	-
Other assets	2,494,888	-	-
Securitisation exposures	171,382	-	-
Equity exposures	9,386	-	-
Defaulted exposures	954,587	5,897	36,149
Total for on balance sheet exposures	84,826,493	43,950	5,898,261
Off balance sheet exposures			
OTC derivatives	2,272,990	-	-
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,531,656	1,845	1,410,492
Defaulted exposures	35,944	50	11,836
Total for off balance sheet exposures	11,840,606	1,895	1,422,328
Total on and off balance sheet exposures	**96,667,099**	**45,845**	**7,320,589**

Table 7.1 : Credit Risk Mitigation (Contd.)

The total exposures and eligible guarantees and collateral of the Group are as follows (contd.):

2013 (Restated) **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	10,493,675	-	-
Banks, DFIs and MDBs	3,974,876	-	-
Insurance companies, Securities firms and Fund managers	24,380	-	-
Corporates	31,008,985	33,515	5,594,466
Regulatory retail	22,501,971	76,484	335,286
Residential mortgages	9,536,578	-	60,432
Higher risk assets	110,768	-	-
Other assets	1,788,843	-	-
Securitisation exposures	84,001	-	-
Equity exposures	192,104	-	-
Defaulted exposures	1,185,809	13,219	151,393
Total for on balance sheet exposures	80,901,990	123,218	6,141,577
Off balance sheet exposures			
OTC derivatives	2,238,495	-	-
Credit derivatives	68	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,713,334	3,026	1,485,670
Defaulted exposures	85,219	-	8,323
Total for off balance sheet exposures	12,037,116	3,026	1,493,993
Total on and off balance sheet exposures	**92,939,106**	**126,244**	**7,635,570**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

8.1 Off Balance Sheet exposures

The Group's off balance sheet exposures consist of 3 main categories as follows:

1) Credit related exposures, e.g., guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.
2) Derivatives Financial Instruments, e.g., forward exchange contracts (forward exchange contracts and cross currency swaps) interest rate related contracts (interest rate futures and interest rate swaps), equity related contracts (option and futures) and commodity related contract (option).
3) Other treasury-related exposures, e.g., forward purchase commitment.

Off balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the Group Risk Appetite Framework.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the mark-to-market (MTM) value of the exposure, plus the notional principal multiplied by the potential credit risk exposure (PCRE) factor for the exposure; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e., in the money, the Group has credit exposure against the counterparty; if it is negative, i.e., out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic, i.e., not confined to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the Group Risk Appetite Framework.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the Group's or the counterparty's credit risk rating be upgraded or downgraded.

Table 8.1: Off Balance Sheet Exposures

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

2014	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	1,092,935		964,135	865,605
Transaction related contingent Items	4,663,740		2,396,271	1,682,429
Short term self liquidating trade related contingencies	616,860		123,366	91,046
Forward asset purchases	105,872		6,360	3,710
Obligations under an on-going underwriting agreement	250,000		-	-
Foreign exchange related contracts				
One year or less	22,196,436	84,533	211,519	134,918
Over one year to five years	3,018,618	118,761	331,810	271,535
Over five years	895,569	89,634	272,947	225,831
Interest rate related contracts				
One year or less	4,377,755	3,947	12,754	4,554
Over one year to five years	28,591,959	153,942	927,330	392,518
Over five years	6,250,838	48,801	476,900	244,942
Equity and commodity related contracts				
One year or less	419,790	4,928	19,603	13,526
Over one year to five years	331,103	480	20,127	10,063
Credit derivative contracts				
Over one year to five years	306,519	4,651	10	5
Over five years	305,967	19,153	6	3
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,145,833		2,552,853	2,170,244
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,898,239		2,800,012	2,557,267
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	3,622,016		724,403	539,996
Total	**96,090,249**	**528,830**	**11,840,606**	**9,208,392**

Table 8.1: Off Balance Sheet Exposures

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

2013 (Restated)	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	1,253,726		1,141,641	1,011,866
Transaction related contingent Items	3,812,587		1,962,335	1,422,377
Short term self liquidating trade related contingencies	617,806		123,538	89,832
Forward asset purchases	108,266		10,072	7,114
Obligations under an on-going underwriting agreement	250,000		-	-
Foreign exchange related contracts				
One year or less	22,584,554	77,447	224,789	121,965
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 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	322,791	1,521	5,731	2,685
Over one year to five years	547,989	4,661	33,743	15,106
Credit derivative contracts				
One year or less	267,510	-	39	8
Over one year to five years	298,274	1,978	18	7
Over five years	297,752	10,952	11	5
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,859,056		2,945,915	2,529,377
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,674,911		3,068,177	2,747,942
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	3,322,548		545,934	407,099
Total	**94,837,116**	**383,243**	**12,037,116**	**9,426,405**

Table 8.2 : Credit Derivatives Counterparty Credit Risk

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

		2014		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	312,485	300,000	425,088	438,448

* Out of the total notional exposure for protection bought as at 31 March 2014, RM283,500,000 (31 March 2013: RM421,948,000) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

9.1 Definition of Securitisation

Securitisation is a financial technique where the cash flow from an asset or a pool of assets is used to service obligations to, typically, at least 2 different classes or tranches of creditors, who are holders of debt securities with each class or tranche reflecting a different degree of credit risk.

Securitisation takes many forms and may be categorised as traditional or synthetic, depending on legal ownership of the pool of assets.

- Traditional securitisations involve the transfer of ownership via a legal/equitable assignment of the underlying asset pool into a bankruptcy remote Special Purpose Vehicle ("SPV") which finances the purchase by issuing debt instruments to investors. The debt securities are commonly referred to as asset-backed securities ("ABS").
- Synthetic securitisations also transfer the credit risk of an underlying pool of assets to third parties. Legal ownership of the assets will remain with the originator where the originator pays a periodic premium to the third parties in exchange for credit protection if the securitised assets default in the future.

9.2 Objectives, roles and involvement

The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities and may be traditional or synthetic. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief;
- securitisation of third party-originated assets;
- facilities and services provided to securitisations - the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- investment in securities - the Group underwrites bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.2.1 Regulatory capital approaches used in the Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.2.2 Governance

The governance of securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking book and trading book are govern under the limits set for the banking book and trading book respectively.

9.2 Objectives, roles and involvement (Contd.)

9.2.3 Risk measurement and reporting of securitisation exposures

The Group relies on the external rating assigned by recognised external credit assessment institution in determining the capital charge requirement for rated securitisation exposures. The Group also assess to performance information of the underlying pools on an ongoing basis, e.g., 30/60/90 days past due, default rates, prepayment rates to gauge the stability of the model parameters to determine sufficiency of the buffers.

9.2.4 SPV used in securitisation exercises

For all traditional securitisation transactions where the Group acts as the sponsor[2], such transactions will be structured to comply with the Securities Commission's Guidelines on the Offering of Asset-Backed Securities ("ABS Guidelines") and, where applicable, the BNM's Prudential Standards on Securitisation Transactions. The SPVs used and to be used by the Group complies with the requirements of the ABS Guidelines.

Third party exposures that have been securitised via such SPVs include civil servant and government link company staff housing loans.

9.2.5 Accounting Policies for Securitisation

The principal accounting policies governing the Group's securitisation activities are outlined in Notes 3 and 4 to the Financial Statements. These include the valuation, derecognition, consolidation and income recognition principles.

Any SPV used in the Group's securitisation activities are assessed for control under the requirements of MFRS10. Where control is determined to exist the SPV is consolidated into the Group financial statements.

For synthetic securitisations, any transferred credit exposure is recognised through the fair value measurement of the segregated embedded or stand-alone credit derivative established within the structure.

9.2.6 Use of external rating agencies

The Group uses the services of both RAM and MARC and where applicable, international rating agencies for securitisation transactions purposes.

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2 per the BNM's clarification, a banking institution is considered a sponsor if it in fact or in substance, it manages or advises the programme, places securities into the market or provides liquidity and or credit enhancements. This is applicable if the Group entity acts as a sponsor to an ABCP (CP with maturity of one year or less) conduit or similar programmes.

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group are as follows:

2014 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
<u>Traditional securitisation originated by the Group</u>				
Banking book				
Corporate loans	199,373	-	129,895	-
Mortgage loans	747,256	-	738,154	-
Total traditional securitisation	**946,629**	**-**	**868,049**	**-**
Total synthetic securitisation	**-**	**-**	**-**	**-**
Total traditional and synthetic securitisation	**946,629**	**-**	**868,049**	**-**

2013 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
<u>Traditional securitisation originated by the Group</u>				
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 and synthetic securitisation	**937,675**	**-**	**837,593**	**-**

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

2014				Distribution of exposures after CRM according to appplicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
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	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
<u>**Traditional securitisation originated by third party**</u>								
On Balance Sheet Exposures	164,923	164,923	-	164,923	-	-	-	32,984
<u>**Originated by the Group**</u>								
On Balance Sheet Exposures	6,459	6,459	-	-	-	6,459	-	80,739
Total traditional securitisation	**171,382**	**171,382**	**-**	**164,923**	**-**	**6,459**	**-**	**113,723**
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	**171,382**	**171,382**	**-**	**164,923**	**-**	**6,459**	**-**	**113,723**

2013				Distribution of exposures after CRM according to appplicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
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	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
<u>**Traditional securitisation originated by third party**</u>								
On Balance Sheet Exposures	80,357	80,357	-	69,963	10,394	-	-	19,190
<u>**Originated by the Group**</u>								
On Balance Sheet Exposures	3,644	3,644	-	-	-	3,644	-	45,556
Total traditional securitisation	**84,001**	**84,001**	**-**	**69,963**	**10,394**	**3,644**	**-**	**64,746**
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	**84,001**	**84,001**	**-**	**69,963**	**10,394**	**3,644**	**-**	**64,746**

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

2014 **Securitisation exposures by exposure type**	**Total 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	40,685	-	895	814	21,363
Total traditional securitisation	**40,685**	**-**	**895**	**814**	**21,363**
Total synthetic securitisation	**-**	**-**	**-**	**-**	**-**
Total traditional and synthetic securitisation	**40,685**	**-**	**895**	**814**	**21,363**

2013 **Securitisation exposures by exposure type**	**Total 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 and synthetic securitisation	**111,335**	**-**	**2,966**	**2,227**	**64,913**

10.0 Operational Risk

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

Identification	• Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing
Control/ Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of GRAF management triggers, risk profile status, key risk indicator breaches and key control testing exceptions • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes legal risk. It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is integral part of the Group's operational risk management framework, which sets the acceptable tolerance levels for operational risk. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing.

- Fraud (internal & external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

- the first line of defence is accountable for implementing the operational risk framework and policies, operational risk tools, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Line of Business.
- in the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to Group CEOs Committee, and Risk Management Committee of Directors ("RMCD").
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

10.0 Operational Risk (Contd.)

Group Operational Risk maintains close working relationships with all Line of Business, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The Operational Risk Management System ("ORMS") contains the following modules:

- the Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- the Risk and Control Self Assessment ("RCSA") is a process of continual assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- the Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- the Key Control Testing ("KCT") is the test steps or assessment performed periodically to assure that the key controls are in place and it is operating as intended or effective in managing the operational risks.

As part of the risk transfer strategy, the Group obtains third party insurance to cover the Group's major operational risks where cost-effective premiums can be obtained. In addition, a comprehensive Business Continuity Management is established to ensure critical business functions can be maintained or restored in a timely manner, in the event of material disruptions from internal or external events.

The ultimate authority for all operational risk management matters is delegated by the Board to the Group CEOs Committee. The RMCD and the Group CEOs Committee are the main reporting and escalation committees for operational risk matters. These matters include significant operational risk incidences or findings, deliberations on regulatory and supervisory changes and their impact on operational risk and deliberation and endorsement of operational risk mitigation measures and risk management strategies.

The Group adopts Basic Indicator Approach for the operational risk capital charge computation.

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality.
Assessment/ Measurement	• Business Impact Analysis • Threat Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity Plan
Monitoring/ Review	• BCM Plan testing and exercise • Review of BCM Plan • Plan maintenance

The BCM function forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Group's stakeholders by protecting our brand and reputation.

10.1 Business Continuity Management (Contd.)

The BCM process complements the effort of the recovery team and specialist units to ensure the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency and conduct periodical testing to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

10.2 Legal Risk

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by Group CEOs Committee, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks is appropriately managed.

10.3 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. 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, capital markets and anti-money laundering laws 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.

Regulatory 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, regulatory compliance facilitates briefings, disseminates information and leads coordination efforts.

11.0 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibility of the Group Market Risk ("GMR").

11.1 Traded Market Risk

The TMR management process is depicted in the table below. Please refer to Section 8 for off balance sheet exposures and counterparty credit risk arising from market risk.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trends and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Annual Loss Limit ("ALL") • Historical Stress Loss ("HSL") • Other Detailed Management Controls
Control/ Mitigation	• VaR limits • HSL limits • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Present Value of One Basis Point Limits ("PV01") • Stealth Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Instruments/Currencies/Countries • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and to work with the business to ensure exposures are managed within the Board and Executive Management approved limit structures and risk appetite. This is done via robust TMR measurement, limit setting, limit monitoring and collaboration and agreement with Business Units.

VaR, ALL, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, ALL and HSL, additional sensitivity controls (e.g., Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to Group CEOs Committee, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to TMR are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

GMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.2 Non-Traded Market Risk

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

The interest rate risk/rate of return risk in the banking book ("IRR/RORBB") risk management process is depicted in the table below:

Identification	• Identification of IRR/RORBB within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• VaR • Earnings-at-Risk ("EaR") • PV01 • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • EaR Limits • PV01 Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

The Board's oversight of IRR/RORBB is supported by Group CEOs Committee. Group CEOs Committee is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration the Group's business strategies. Group CEOs Committee consistently oversees the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB and maintained an acceptable gapping profile as a result. In accordance with Group's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of IRR/RORBB which applies recent historic market conditions to estimate the potential loss in economic value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

11.2 Non-Traded Market Risk (Contd.)

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

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139 - compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated daily and reported to Group CEOs Committee.

Table 11.1: Market Risk Sensitivity - IRR/RORBB

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

2014 **Currency (MYR)**	**Interest Rate/Rate of Return +100 bps RM'000**	**Interest Rate/Rate of Return -100 bps RM'000**
Impact on Profit Before Taxation	152,296	(152,196)
Impact on Equity	(264,141)	299,765

2013 (Restated) **Currency (MYR)**	**Interest Rate/Rate of Return +100 bps RM'000**	**Interest Rate/Rate of Return -100 bps RM'000**
Impact on Profit Before Taxation	111,432	(111,432)
Impact on Equity	(242,087)	274,431

12.0 Equities (Banking Book Positions)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as follows:

- equity investments that are taken for strategic and other objectives - Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.
- equity investments on which capital gains are expected - These transactions are for proprietary trading.
- equity investments made as the result of a work out of a problem exposure - From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities - Equity securities that have a quoted market price are carried at their fair value. Fair value is determined based upon current bid prices. Investments in unlisted securities are measured at cost less impairment loss (if any).

Where the investment is held for long term strategic purposes, these investments are accounted for as available-for-sale, with changes in fair value being recognised in equity.

Table 12.1: Equity investments and capital requirement

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

Non traded equity investments	2014 RM'000	2013 (Restated) RM'000
Value of quoted (publicly traded) equities	188,288	217,545
Value of unquoted (privately held) equities	88,470	88,401
Total	**276,758**	**305,946**
Net realised and unrealised (losses)/gains		
Cumulative realised gains from sales and liquidations	41,052	39
Total unrealised (losses)/gains	(10,751)	(4,398)
Total	**30,301**	**(4,359)**
Risk weighted assets		
Equity investments subject to a 100% risk weight	188,288	216,649
Equity investments subject to a 150% risk weight	132,706	133,946
Total	**320,994**	**350,595**
Total minimum capital requirement (8%)	**25,680**	**28,048**

13.0 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding risk is the risk of ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Funding and liquidity risk are interrelated as improper funding risk management may lead to liquidity problem while insufficient liquidity risk management may also give rise to funding risk.

13.0 Liquidity and Funding Risk (Contd.)

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

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data. • Keep abreast with regulatory requirements.
Assessment/ Measurement	• New Liquidity Framework ("NLF") • Liquidity Concentration Ratios • Liquidity Coverage Ratio ("LCR") • Loans to Deposit Ratio ("LDR") • Other Detailed Management Controls
Control/ Mitigation	• NLF Limits • Concentration Ratios • LCR Limits • LDR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board provides the liquidity risk management oversight while the Group CEOs Committee is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingence Funding Plan.

13.0 Liquidity and Funding Risk (Contd.)

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the adjusted loans/financing to deposit ratio, which compares loan/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with original term of maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets is funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is already monitoring the LCR and Net Stable Funding Ratio (“NSFR”) and continue to pursue strategies to ensure the availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia’s requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

14.0 Shariah Risk

A Shariah governance framework is put in place in the organisational structure of the AMMB Group for Islamic banking operations in line with the requirement of BNM’s "Shariah Governance Framework for Islamic Financial Institutions". Requirements on Shariah compliance for AMMB Group have been further strengthened with the coming into force of the Islamic Financial Services Act, 2013 (“IFSA”).

The Group leverages on the AMMB Group’s shared platforms such as Group Risk Management Department, Group Compliance Department, and Group Internal Audit Division for key Shariah functions.