AMMB Banking Group

Pillar 3 Disclosure

For the financial period

1 April 2014 to 30 September 2014

RWCAF- Pillar 3 Disclosures
(Applicable to the regulated banking subsidiaries of the Group)
For 30 September 2014

Contents

1.0 Scope of Application

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

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

AmBank Group Pillar 3 Disclosure The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

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

The Pillar 3 information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an aggregated basis. The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

Frequency of Disclosure
Full disclosure requirements under the BNM guidelines are made on an annual and semi-annual basis except for disclosures under paragraph 10.1 of the guidelines and all qualitative disclosures which are made on an annual basis if there are no material changes in the interim reporting periods.

Medium and Location of Disclosure
These Pillar 3 disclosures of the Group together with the individual Pillar 3 disclosures of its banking subsidiaries are available on the Group's corporate website at www.ambankgroup.com.

Capital Adequacy Ratios
BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities.

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

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

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

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

1.1 Basis of Consolidation

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

For purposes of this Pillar 3 Disclosure, 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 IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA 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 approvals of the respective 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 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

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

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

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

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

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

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

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Chief Executive Officers Committee ("Group CEOs Committee"). The Group CEOs Committee is also 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.

Group CEOs Committee proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2015 ("FY 2015"), these ranges are 8.0% to 10.0% for the Common Equity Tier 1 Capital Ratio, 9.5% to 11.5% for the Tier 1 Capital Ratio, and 14.0% to 16.0% for the Total Capital Ratio. The Group has been operating within these ranges.

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

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

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

A30. CAPITAL ADEQUACY RATIOS

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

		30.09.14		
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	10.453%	9.303%	25.518%	10.706%
Tier 1 Capital ratio	12.513%	9.303%	25.518%	12.183%
Total Capital ratio	16.480%	15.076%	25.518%	16.587%
After deducting proposed dividends:				
CET1 Capital ratio	9.905%	9.155%	24.522%	10.260%
Tier 1 Capital ratio	11.965%	9.155%	24.522%	11.737%
Total Capital ratio	15.932%	14.928%	24.522%	16.141%

		31.03.14		
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	9.453%	9.830%	21.207%	10.126%
Tier 1 Capital ratio	11.418%	9.830%	21.207%	11.569%
Total Capital ratio	14.916%	15.807%	21.207%	15.899%
After deducting proposed dividends:				
CET1 Capital ratio	9.146%	9.203%	21.207%	9.745%
Tier 1 Capital ratio	11.112%	9.203%	21.207%	11.188%
Total Capital ratio	14.609%	15.180%	21.207%	15.517%

Notes:

- The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord. The minimum regulatory capital adequacy requirements are as follows:

	Transitional arrangements		
	Calendar Year		
	2013	2014	2015 onwards
CET1 Capital ratio	3.5%	4.0%	4.5%
Tier 1 Capital ratio	4.5%	5.5%	6.0%
Total Capital ratio	8.0%	8.0%	8.0%

- Group* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at www.ambankgroup.com.

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

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	30 SEPTEMBER 2014						
Exposure class	RM'000	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	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		12,274,995	12,260,251	-	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		10,009,198	10,009,198	2,121,226	-	2,121,226	169,698
Insurance companies, Securities firms and Fund managers		85,880	85,880	85,880	-	85,880	6,870
Corporates		46,156,356	42,809,526	37,282,071	-	37,282,071	2,982,566
Regulatory retail		34,021,488	33,831,551	25,619,561	-	25,619,561	2,049,565
Residential mortgages		10,552,139	10,530,221	3,756,891	-	3,756,891	300,551
Higher risk assets		121,694	121,694	182,541	-	182,541	14,603
Other assets		3,317,430	3,317,430	2,888,661	-	2,888,661	231,093
Securitisation exposures		148,062	148,062	65,016	-	65,016	5,201
Equity exposures		9,582	9,582	9,582	-	9,582	767
Defaulted exposures		1,144,483	1,130,326	1,318,772	-	1,318,772	105,502
Total for on balance sheet exposures		117,841,307	114,253,721	73,330,201	-	73,330,201	5,866,416
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,509,389	2,509,389	1,210,218	-	1,210,218	96,817
Credit derivatives		16	16	8	-	8	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		10,983,064	10,122,373	9,136,609	-	9,136,609	730,929
Defaulted exposures		83,705	74,560	111,775	-	111,775	8,942
Total for off balance sheet exposures		13,576,174	12,706,338	10,458,610	-	10,458,610	836,689
Total on and off balance sheet exposures		131,417,481	126,960,059	83,788,811	-	83,788,811	6,703,105
2. **Large exposures risk requirement**				72,938	-	72,938	5,835
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	75,116,382	72,972,116		1,799,965	-	1,799,965	143,997
- Specific interest rate risk/Rate of return risk	2,492,490	322,310		228,132	-	228,132	18,251
Foreign currency risk	366,797	7,690		366,796	-	366,796	29,344
Equity risk							
- General risk	269,256	1,357		267,899	-	267,899	21,432
- Specific risk	269,256	1,357		399,022	-	399,022	31,922
Option risk	423,711	190,899		67,577	-	67,577	5,406
Total	78,937,892	73,495,729		3,129,391	-	3,129,391	250,351
4. **Operational risk**				7,002,330	-	7,002,330	560,186
5. **Total RWA and capital requirements**				93,993,469	-	93,993,469	7,519,478

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

Upon expiry of the RPSIA contract on 2 May 2014, the AmBank derecognised the collective allowance. Accordingly, AmIslamic Bank now accounts for the Collective allowance in its financial statements. The gross exposure and collective allowance relating to the RPSIA financing as at 31 March 2014 are RM450.1 million and RM2.5 million. The was no individual allowance provided for the RPSIA financing. RPSIA assets exculded from the risk weighted capital adequacy computation of AmIslamic Bank for 31 March 2014 amounted to RM450.1 million and the risk weighted on these RPSIA assets were accounted for in the computation of capital adequacy of the AmBank.

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	31 MARCH 2014						
Exposure class	**RM'000**	**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**	**Risk Weighted Assets Absorbed by PSIA RM'000**	**Total Risk Weighted Assets after effects of PSIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		17,174,218	17,174,218	-	-	-	-
Banks, development financial institutions ("DFIs") & multilateral development banks		8,551,010	8,551,010	1,951,904	-	1,951,904	156,152
Insurance companies, Securities firms and Fund managers		32,857	32,857	32,857	-	32,857	2,629
Corporates		47,296,504	43,855,834	38,305,092	450,133	37,854,959	3,028,397
Regulatory retail		35,399,658	35,205,927	26,678,048	-	26,678,048	2,134,244
Residential mortgages		10,500,745	10,479,600	3,724,103	-	3,724,103	297,928
Higher risk assets		126,280	126,280	189,420	-	189,420	15,154
Other assets		3,538,111	3,538,111	3,122,662	-	3,122,662	249,813
Securitisation exposures		171,382	171,382	113,723	-	113,723	9,098
Equity exposures		9,386	9,386	9,386	-	9,386	751
Defaulted exposures		1,170,846	1,158,636	1,281,205	-	1,281,205	102,496
Total for on balance sheet exposures		123,970,997	120,303,242	75,408,401	450,133	74,958,268	5,996,661
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,321,708	2,321,708	1,329,526	-	1,329,526	106,362
Credit derivatives		16	16	8	-	8	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		11,675,486	10,764,482	9,692,778	-	9,692,778	775,422
Defaulted exposures		36,032	31,234	46,786	-	46,786	3,743
Total for off balance sheet exposures		14,033,242	13,117,440	11,069,098	-	11,069,098	885,528
Total on and off balance sheet exposures		138,004,239	133,420,682	86,477,499	450,133	86,027,366	6,882,189
2. **Large exposures risk requirement**				72,938	-	72,938	5,835
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	63,551,645	61,400,042		1,632,951	-	1,632,951	130,636
- Specific interest rate risk/Rate of return risk	2,661,247	323,439		332,826	-	332,826	26,626
Foreign currency risk	277,493	58,777		277,493	-	277,493	22,199
Equity risk							
- General risk	210,328	2,122		208,206	-	208,206	16,656
- Specific risk	210,328	2,122		302,574	-	302,574	24,206
Option risk	1,283,449	2,147,956		192,573	-	192,573	15,406
Total	68,194,490	63,934,458		2,946,623	-	2,946,623	235,730
4. **Operational risk**				7,072,899	-	7,072,899	565,832
5. **Total RWA and capital requirements**				96,569,958	450,133	96,119,825	7,689,586

3.0 Capital Structure

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

- Common Equity Tier 1 ("CET1") 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 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 each banking entity (and its consolidated group level) 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.

3.1 CET 1 Capital

CET 1 Capital consists of the following:

(a) Paid-up Ordinary Share Capital

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

(b) Share Premium

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

(c) Retained Earnings

Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in 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.

(d) Other Disclosed Reserves

Other disclosed reserves comprise the following:

(i) Statutory reserve

Statutory reserve is maintained in compliance with Section 47(2) f of FSA, Section 57(2) of IFSA and is not distributable as cash dividends.

(ii) Capital Reserve and Merger Reserve

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

(iii) Foreign Currency Translation Reserve

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

(iv) Available-for-Sale Reserve

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

(e) Cash Flow Hedging Reserve

Cash flow hedging 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 banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Additional Tier 1 Capital 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 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. As at 1 January 2013 and at present, only AmBank has Additional Tier 1 Capital Instrument in issuance. Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 Capital Instruments of AmBank. Details of the Additional Tier 1 Capital Instruments are

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

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Non-cumulative Non-voting Guaranteed	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

Innovative Tier 1 Capital

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

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

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

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month USD 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 or more than 60 days' notice (which notice shall be irrevocable) must be given.

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

(b) Innovative Tier 1 Capital Securities

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

Non-innovative Tier 1 Capital

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

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

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

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

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

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

3.3 Tier 2 capital

The main components of Tier 2 Capital are collective impairment provisions and regulatory reserves (subject to a maximum of 1.25% 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 banking subsidiaries, at both the entity and consolidated level 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% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. Tables 3.2(a) and 3.2(b) outline the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for AmBank and AmIslamic Bank respectively. AmInvestment Bank does not have any Tier 2 Capital Instruments in issuance as at 1 January 2013 and at present. Details of the Tier 2 Capital Instruments are outlined below.

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

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

Calendar year	Cap on Tier 2 Capital Instruments that can be 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

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

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

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

Medium term notes

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

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN Programme. The 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

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.

The salient features of the MTNs issued 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.

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

(v) Tranche 8 amounting to RM710.0 million issued on 16 October 2012 is for a tenor of 10 years Non-Callable 5 years and bears interest at 4.45% per 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
(vi) 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, AmBank established a new SubNotes 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 AmBank'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 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 SubNotes under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. The Tier 2 SubNotes have been assigned a credit rating of AA3 by RAM Rating Services Berhad ("RAM").

On 30 December 2013, AmBank has issued the first tranche of Tier 2 SubNotes 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.

Subordinated Sukuk Musyarakah

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

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

On the same date, RM600.0 million Sukuk Musharakah were issued under this programme. Tranche 1 carries a profit rate of 4.40% per annum and is payable on a semi-annual basis.

On 31 January 2012, AmIslamic Bank issued the second tranche of the Sukuk Musharakah of RM200.0 million. Tranche 2 carries a profit rate of 4.35% per annum and is payable on a semi-annual basis.

On 24 December 2012, AmIslamic Bank issued tranche 3 of the Sukuk Musharakah of RM200.0 million. The third tranche carries a profit rate of 4.45% per annum and is payable on a semi-annual basis.

The Sukuk Musharakah qualify as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the Sukuk Musharakah qualify as Tier 2 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

AmIslamic Bank has repurchased on the market and subsequently cancelled RM200.0 million of the Sukuk Musharakah between 19 December 2013 and 20 January 2014. The repurchases were granted prior approval by BNM and represent the portion of the Sukuk Musharakah that do not qualify for recognition as Tier 2 Capital in the computation of capital adequacy ratio for the calendar years 2013 and 2014 under the Basel III pronouncements. The nominal value purchased by tranche, and the remaining outstanding balance as at 31 March 2014, are as follows:

	At 31 March 2013	Nominal value purchased and cancelled in FY 2014	At 31 March 2014
	RM'000	RM'000	RM'000
Tranche 1	600,000	120,000	480,000
Tranche 2	200,000	10,000	190,000
Tranche 3	200,000	70,000	130,000
Total	1,000,000	200,000	800,000

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmIslamic Bank has implemented a new Subordinated Sukuk Murabahah programme of RM3.0 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 AmIslamic Bank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III compliant.

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

On 28 February 2014, AmIslamic Bank has issued the first tranche of Tier 2 Subordinated Sukuk Murabahah under this programme, of RM200.0 million. The profit rate of this tranche is at 5.07% perannum, payable on a semi-annual basis.

Subsequently, on 25 March 2014, AmIslamic Bank has issued the second tranche of Tier 2 Subordinated Sukuk Murabahah under this programme, of RM150.0 million. The profit rate of this tranche is at 5.05% per annum, payable on a semi-annual basis.

The full amount of both tranches issued qualify for recognition of capital adequacy ratio computation.

Table 3.3: Capital Structure

The aggregated components of Tier 1 and Tier 2 Capital of the Group is as follows:

	30 SEPTEMBER 2014			
	AmBank RM'000	**AmIslamic Bank RM'000**	**AmInvestment Bank RM'000**	**Group * RM'000**
CET1 Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,655,181	664,043	75,651	5,574,370
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(38,019)	(12,015)	1,362	(48,296)
Foreign exchange translation reserve	(47)	-	-	34,153
Statutory reserve	980,969	483,345	200,000	1,664,314
Profit equalisation reserve	-	2,601	-	2,601
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	111,805
Cash flow hedging reserve	6,855	-	-	6,855
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(314,357)	(26)	(1,323)	(320,347)
Deferred tax assets	(45,588)	-	(2,693)	(68,071)
Profit equalisation reserve	-	(2,601)	-	(2,601)
Cash flow hedging reserve	(6,855)	-	-	(6,855)
55% of cumulative gains of AFS financial instruments	-	-	(749)	(777)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(7,722)	-	(20,408)	(521)
Deduction in excess of Tier 2 capital**	-	-	(106,101)	(25,234)
CET1 Capital	**7,042,141**	**2,322,454**	**345,739**	**10,063,283**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	-	-	1,388,080
Tier 1 Capital	**8,430,221**	**2,322,454**	**345,739**	**11,451,363**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	350,000	-	750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,557,800	800,000	-	2,357,800
Collective allowance and regulatory reserves	745,523	291,269	1,316	1,034,245
Less: Regulatory adjustments applied on Tier 2 Capital	(30,888)	-	(1,316)	(2,631)
Tier 2 Capital	**2,672,435**	**1,441,269**	**-**	**4,139,414**
Total Capital	**11,102,656**	**3,763,723**	**345,739**	**15,590,777**
Credit RWA	59,641,879	23,301,508	946,208	83,788,810
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	-	-	-
Total Credit RWA	59,641,879	23,301,508	946,208	83,788,810
Market RWA	2,842,149	122,627	68,415	3,129,391
Operational RWA	4,815,212	1,540,321	340,254	7,002,330
Large exposure risk RWA for equity holdings	72,938	-	-	72,938
Total Risk Weighted Assets	**67,372,178**	**24,964,456**	**1,354,877**	**93,993,469**

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

	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
	31 MARCH 2014			
CET1 Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,408,666	698,125	57,377	5,343,662
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(72,241)	(18,442)	1,707	(87,776)
Foreign exchange translation reserve	(1,990)	-	-	32,527
Statutory reserve	980,969	483,345	200,000	1,664,314
Profit equalisation reserve	-	1,260	-	1,260
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	111,805
Cash flow hedging reserve	3,029	-	-	3,029
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(330,679)	(26)	(1,714)	(336,694)
Deferred tax assets	(51,825)	-	(14,164)	(104,652)
Profit equalisation reserve	-	(1,260)	-	(1,260)
Cash flow hedging reserve	(3,029)	-	-	(3,029)
55% of cumulative gains of AFS financial instruments	-	-	(939)	(968)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(67,722)	-	(20,408)	(946)
Deduction in excess of Tier 2 Capital**	-	-	(103,190)	(22,891)
CET1 Capital	**6,676,902**	**2,350,109**	**318,669**	**9,740,268**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	-	-	1,388,080
Tier 1 Capital	**8,064,982**	**2,350,109**	**318,669**	**11,128,348**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	350,000	-	750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,557,800	800,000	-	2,357,800
Collective allowance and regulatory reserves	783,541	279,038	4,085	1,063,297
Less: Regulatory adjustments applied on Tier 2 capital	(270,888)	-	(4,085)	(6,535)
Tier 2 Capital	**2,470,453**	**1,429,038**	**-**	**4,164,562**
Total Capital	**10,535,435**	**3,779,147**	**318,669**	**15,292,910**
Credit RWA	62,683,302	22,773,142	1,097,505	86,477,498
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(450,133)	-	(450,133)
Total Credit RWA	62,683,302	22,323,009	1,097,505	86,027,365
Market RWA	2,839,123	68,731	38,766	2,946,622
Operational RWA	4,965,805	1,515,669	366,407	7,072,900
Large exposure risk RWA for equity holdings	143,864	-	-	143,864
Total Risk Weighted Assets	**70,632,094**	**23,907,409**	**1,502,678**	**96,190,751**

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

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

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

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

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel 3 requirement for Common Equity Tier 1, 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 3 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

Risk Management Governance
The Board is ultimately responsible for the management of risks within the Group. The RMCD 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.

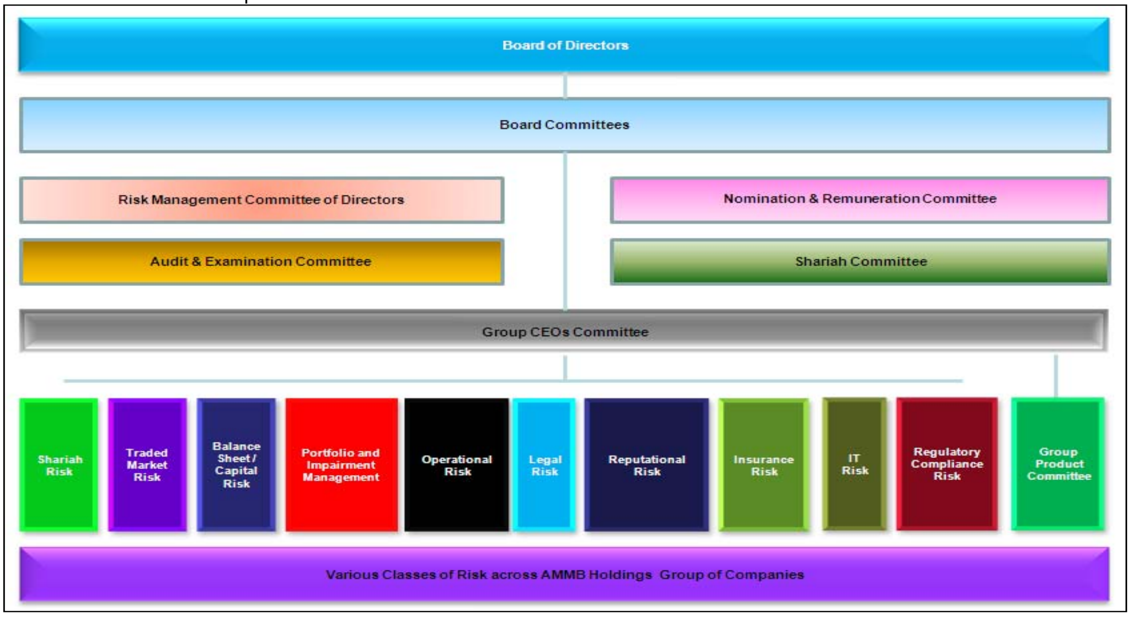
The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance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

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

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd)

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



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

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

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

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

5.0 Credit Risk Management

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

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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/ or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance Structure).

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/ financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Group's Risk Appetite Framework provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:
- Concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- Asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- Setting Loan/ Financing to Value limits for asset backed loans/ financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure 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.

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

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

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

A loan/ financing is classified as impaired under the following circumstances:

(a) When 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 on any material obligation[2]; or

(b) For loans/financing where repayments are scheduled on intervals of 3 months or longer, the loan/financing is to be classified as impaired 1+30 days or 1 day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default[3]).

(c) For trade bills/facilities, an account is deemed default and impaired when the past due is 90 days from due date of the bill.

(d) A loan/financing may also be classified as impaired:
   i. As deemed appropriate by the Watch and Control Committee where it is determined the loans/financing have a high probability of default; or
   ii. Cross-default occurs when:
      - a default of a loan/financing obligation of a borrower triggers a default of another loan/financing obligation of the same borrower or
      - a default of a loan/financing obligation of a borrower triggers a default of a loan/financing obligation of other borrowers within the same borrower group.

      The CACC is allowed to waive the declaration of cross-default across all accounts of the same borrower or accounts of all borrowers within the same borrower group.

(e) Debt instruments (for example, fixed income securities, debt converted instrument etc.) shall be classified as impaired when the coupon or interest payment is 1 day past due.

(f) In the case of stock broking and futures broking:
   i. For margin lending, it is impaired when there is a shortfall to the carrying value i.e. difference between the collateral value (if any) and the outstanding balance.
   ii. For contra losses, it is impaired when the facility is overdue by 30 days.

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

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

[2] Material obligation as determined by Management.

[3] Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.

Table 5.1: Distribution of gross credit exposures by sector

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

	30 SEPTEMBER 2014													
	Agriculture RM'000	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail Trade, Restaurant and Hotel RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On balance sheet exposures														
Sovereigns/ Central banks	-	-	-	-	119,320	-	-	9,112,633	-	-	3,043,043	-	-	12,274,996
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,928,835	-	-	70,297	-	10,066	10,009,198
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	85,880	-	-	-	-	-	85,880
Corporates	3,807,218	3,264,758	8,033,424	1,277,071	6,620,036	4,174,035	2,157,276	4,160,600	7,308,946	1,350,009	1,685,621	2,121,872	195,489	46,156,355
Regulatory retail	90,331	21,182	232,926	4,074	239,494	296,838	108,750	245,990	82,184	104,403	155,574	32,393,194	46,548	34,021,488
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	10,552,138	-	10,552,138
Higher risk assets	-	-	-	-	-	-	-	922	-	-	-	20,479	100,293	121,694
Other assets	-	-	-	-	-	-	-	44,198	-	-	-	383,062	2,890,170	3,317,430
Securitisation exposures	-	-	-	-	-	-	92,004	50,627	-	-	5,431	-	-	148,062
Equity exposures	-	-	10	-	-	-	1,395	7,944	-	33	-	-	200	9,582
Defaulted exposures	11,494	3,701	69,687	173	122,414	47,169	50,133	8,169	31,241	7,679	9,542	768,995	14,086	1,144,483
Total for on balance sheet exposures	3,909,043	3,289,641	8,336,047	1,281,318	7,101,264	4,518,042	2,409,558	23,645,798	7,422,371	1,462,124	4,969,508	46,239,740	3,256,852	117,841,306
Off balance sheet exposures														
OTC derivatives	3,430	37,025	67,748	-	5,446	6,606	36,568	2,320,067	2,084	26,865	-	-	3,550	2,509,389
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	360,043	386,444	1,864,964	190,679	2,269,786	865,860	333,572	603,804	1,181,121	222,997	329,493	2,365,262	9,039	10,983,064
Defaulted exposures	-	1,156	2,965	-	68,684	4,092	500	5,085	-	1,096	2	-	125	83,705
Total for off balance sheet exposures	363,473	424,625	1,935,677	190,679	2,343,916	876,558	370,640	2,928,972	1,183,205	250,958	329,495	2,365,262	12,714	13,576,174
Total on and off balance sheet exposures	**4,272,516**	**3,714,266**	**10,271,724**	**1,471,997**	**9,445,180**	**5,394,600**	**2,780,198**	**26,574,770**	**8,605,576**	**1,713,082**	**5,299,003**	**48,605,002**	**3,269,566**	**131,417,480**

Table 5.1: Distribution of gross credit exposures by sector
The aggregated distribution of credit exposures by sector of AMMB Banking Group is as follows:

	31 MARCH 2014													
	Agriculture RM'000	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail Trade, Restaurant and Hotel RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On balance sheet exposures														
Sovereigns/ Central banks	-	-	-	-	117,013	-	-	13,900,363	-	-	2,856,709	-	300,133	17,174,218
Banks, DFIs and MDBs	-	-	-	-	-	-	-	8,470,498	-	798	69,627	-	10,087	8,551,010
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	32,857	-	-	-	-	-	32,857
Corporates	3,868,523	3,141,998	8,184,045	1,579,238	6,989,052	4,204,303	2,962,251	3,893,145	7,014,735	1,917,043	1,455,196	1,812,837	274,138	47,296,504
Regulatory retail	114,786	29,936	255,287	4,036	268,335	339,228	120,030	246,421	83,601	114,835	167,611	33,611,769	43,783	35,399,658
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	10,500,745	-	10,500,745
Higher risk assets	-	-	-	-	-	-	-	918	417	-	-	22,439	102,506	126,280
Other assets	129	-	286	-	1,956	83	367	42,402	315	162,581	-	590,692	2,739,300	3,538,111
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	11,786	640	107,372	290	107,624	38,338	45,640	9,309	7,984	6,921	12,277	809,635	13,030	1,170,846
Total for on balance sheet exposures	3,995,224	3,172,574	8,547,008	1,583,564	7,483,980	4,581,952	3,221,734	26,675,952	7,108,702	2,202,214	4,566,819	47,348,117	3,483,157	123,970,997
Off balance sheet exposures														
OTC derivatives	4,450	9,672	60,516	-	9,338	6,197	45,270	2,151,603	2,671	26,132	-	-	5,859	2,321,708
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	392,020	187,942	2,071,798	213,777	2,384,702	941,012	468,837	570,925	1,219,557	276,164	386,925	2,540,348	21,479	11,675,486
Defaulted exposures	-	-	4,072	-	17,692	4,175	500	5,190	-	4,183	12	86	122	36,032
Total for off balance sheet exposures	396,470	197,614	2,136,386	213,777	2,411,732	951,384	514,607	2,727,734	1,222,228	306,479	386,937	2,540,434	27,460	14,033,242
Total on and off balance sheet exposures	**4,391,694**	**3,370,188**	**10,683,394**	**1,797,341**	**9,895,712**	**5,533,336**	**3,736,341**	**29,403,686**	**8,330,930**	**2,508,693**	**4,953,756**	**49,888,551**	**3,510,617**	**138,004,239**

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

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

	30 SEPTEMBER 2014													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	14,993	8,452	210,638	25,179	29,650	46,268	53,215	1,619	80,520	25,936	13,421	1,028,714	7,829	-	**1,546,434**
Past due loans / financing	27,976	100,090	245,650	1,713	160,960	131,852	132,303	12,039	136,063	89,242	50,686	13,285,485	14,950	-	**14,389,009**
Individual allowances	5	4,434	126,510	1,965	4,035	5,293	1,749	-	26,060	2,738	375	9,683	-	-	**182,847**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,636,371	**1,636,371**
Charges / (writeback) for															**-**
individual allowances	(6)	1,403	22,905	(19,275)	709	5,088	(4,792)	-	25,937	(354)	375	2,410	-	-	**34,400**
Write-offs against individual allowances	-	96	5,325	-	40	-	2,205	-	-	788	-	434	-	-	**8,888**

	31 MARCH 2014													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	7,385	4,132	227,053	24,250	36,051	44,512	62,616	1,769	7,920	24,511	13,816	1,213,010	1,679	-	**1,668,704**
Past due loans / financing	66,989	18,726	283,365	24,915	173,997	148,449	374,429	12,651	174,772	102,005	73,499	13,599,269	5,781	-	**15,058,847**
Individual allowances	11	3,127	108,930	21,240	3,366	205	8,746	-	123	2,754	-	19,050	-	-	**167,552**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	1,950,556	**1,950,556**
Charges / (writeback) for individual allowances	(5,161)	4,079	131,331	(3,249)	3,858	5,905	41,908	-	(4,788)	3,229	29,324	(6,743)	(5,523)	-	**194,170**
Write-offs against individual allowances	-	15,638	120,927	-	14,784	7,308	39,248	-	567	4,080	32,669	-	245	-	**235,466**

Table 5.3: Geographical distribution of credit exposures

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

	30 SEPTEMBER 2014		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	12,274,995	-	12,274,995
Banks, DFIs and MDBs	9,192,932	816,266	10,009,198
Insurance companies, Securities firms and Fund managers	53,078	32,802	85,880
Corporates	43,744,825	2,411,531	46,156,356
Regulatory retail	33,993,409	28,080	34,021,489
Residential mortgages	10,552,139	-	10,552,139
Higher risk assets	120,766	928	121,694
Other assets	3,137,507	179,923	3,317,430
Securitisation exposures	148,062	-	148,062
Equity exposures	9,548	34	9,582
Defaulted exposures	1,144,316	167	1,144,483
Total for on balance sheet exposures	114,371,577	3,469,731	117,841,308
Off balance sheet exposures			
OTC derivatives	2,509,389	-	2,509,389
Credit derivatives	16	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,387,077	595,987	10,983,064
Defaulted exposures	83,705	-	83,705
Total for off balance sheet exposures	12,980,187	595,987	13,576,174
Total on and off balance sheet exposures	**127,351,764**	**4,065,718**	**131,417,482**

	31 MARCH 2014		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	16,651,813	522,405	17,174,218
Banks, DFIs and MDBs	7,376,076	1,174,934	8,551,010
Insurance companies, Securities firms and Fund managers	155	32,702	32,857
Corporates	45,904,310	1,392,194	47,296,504
Regulatory retail	35,399,658	-	35,399,658
Residential mortgages	10,500,745	-	10,500,745
Higher risk assets	125,356	924	126,280
Other assets	3,351,681	186,430	3,538,111
Securitisation exposures	171,382	-	171,382
Equity exposures	9,350	36	9,386
Defaulted exposures	1,170,846	-	1,170,846
Total for on balance sheet exposures	120,661,372	3,309,625	123,970,997
Off balance sheet exposures			
OTC derivatives	2,321,708	-	2,321,708
Credit derivatives	16	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,436,709	238,777	11,675,486
Defaulted exposures	36,032	-	36,032
Total for off balance sheet exposures	13,794,465	238,777	14,033,242
Total on and off balance sheet exposures	**134,455,837**	**3,548,402**	**138,004,239**

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

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

	30 SEPTEMBER 2014		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,546,434	-	1,546,434
Past due loans / financing	14,389,009	-	14,389,009
Individual allowances	182,847	-	182,847
Collective allowances	1,623,169	13,202	1,636,371

	31 MARCH 2014		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,650,220	18,484	1,668,704
Past due loans / financing	15,058,847	-	15,058,847
Individual allowances	155,630	11,920	167,550
Collective allowances	1,935,785	14,771	1,950,556

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

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

	30 SEPTEMBER 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	5,059,954	2,106,786	-	-	-	559,756	4,515,248	33,252	12,274,996
Banks, DFIs and MDBs	5,441,471	2,959,197	1,236,409	10,171	42,447	115,273	110,012	94,218	10,009,198
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	85,880	-	85,880
Corporates	12,203,510	3,014,517	2,058,149	1,129,469	7,061,638	5,353,216	15,318,325	17,531	46,156,355
Regulatory retail	1,801,720	69,327	112,392	352,074	2,819,058	6,068,817	22,798,100	-	34,021,488
Residential mortgages	806	269	808	4,848	57,525	131,027	10,356,856	-	10,552,139
Higher risk assets	14	11	5	84	542	1,450	19,295	100,293	121,694
Other assets	1,117,767	4,392	5,267	11,087	41,251	314,536	-	1,823,130	3,317,430
Securitisation exposures	406	-	-	-	-	-	147,656	-	148,062
Equity exposures	7,943	-	-	-	-	-	1,439	200	9,582
Defaulted exposures	152,642	23,098	15,907	57,820	141,277	171,785	581,954	-	1,144,483
Total for on balance sheet exposures	25,786,233	8,177,597	3,428,937	1,565,553	10,163,738	12,715,860	53,934,765	2,068,624	117,841,307
Off balance sheet exposures									
OTC derivatives	88,074	72,796	142,136	194,545	482,166	690,602	839,070	-	2,509,389
Credit derivatives	-	-	-	-	11	-	5	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,136,909	1,048,984	1,297,634	1,982,346	1,800,455	1,179,297	2,537,438	-	10,983,063
Defaulted exposures	21,267	14,197	16,196	13,977	15,378	145	2,545	-	83,705
Total for off balance sheet exposures	1,246,250	1,135,977	1,455,966	2,190,868	2,298,010	1,870,044	3,379,058	-	13,576,173
Total on and off balance sheet exposures	**27,032,483**	**9,313,574**	**4,884,903**	**3,756,421**	**12,461,748**	**14,585,904**	**57,313,823**	**2,068,624**	**131,417,480**

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

The aggregated residual contractual maturity by major types of gross credit exposures of AMMB Banking Group are as follows:

	31 MARCH 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	8,253,072	3,150,733	317,409	394,031	-	441,417	4,596,838	20,718	17,174,218
Banks, DFIs and MDBs	5,312,847	1,820,747	696,008	125,202	51,671	114,844	114,133	315,558	8,551,010
Insurance companies, Securities firms and Fund managers	156	-	-	-	-	-	32,701	-	32,857
Corporates	13,161,438	3,737,631	3,119,316	1,771,135	4,303,371	6,636,274	14,565,681	1,659	47,296,505
Regulatory retail	1,940,375	90,704	143,553	327,587	2,965,523	5,980,690	23,951,226	-	35,399,658
Residential mortgages	1,368	415	1,498	3,974	64,215	137,601	10,291,674	-	10,500,745
Higher risk assets	462	26	62	119	607	1,373	23,201	100,430	126,280
Other assets	1,349,617	3,908	4,904	10,159	-	341,784	-	1,827,739	3,538,111
Securitisation exposures	4,040	-	-	-	-	-	167,342	-	171,382
Equity exposures	5,641	-	-	-	-	-	3,565	180	9,386
Defaulted exposures	158,260	15,026	19,209	35,194	156,358	159,898	626,901	-	1,170,846
Total for on balance sheet exposures	30,187,276	8,819,190	4,301,959	2,667,401	7,541,745	13,813,881	54,373,262	2,266,284	123,970,998
Off balance sheet exposures									
OTC derivatives	58,650	54,064	48,995	111,199	577,074	721,878	749,848	-	2,321,708
Credit derivatives	-	-	-	-	10	-	6	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,486,075	983,395	1,218,169	2,116,651	1,747,166	1,040,647	3,083,383	-	11,675,486
Defaulted exposures	13,253	1,363	5,186	6,114	6,158	193	3,765	-	36,032
Total for off balance sheet exposures	1,557,978	1,038,822	1,272,350	2,233,964	2,330,408	1,762,718	3,837,002	-	14,033,242
Total on and off balance sheet exposures	**31,745,254**	**9,858,012**	**5,574,309**	**4,901,365**	**9,872,153**	**15,576,599**	**58,210,264**	**2,266,284**	**138,004,240**

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

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

	30 SEPTEMBER 2014	
	Individual impairment allowances RM'000	**Collective impairment allowances RM'000**
Balance at beginning of financial year	167,552	1,950,556
Charge for the year/period – net	35,553	293,103
Reclassification to assets held for sale	(11,290)	-
Amount written-off	(8,887)	(607,179)
Amount transferred from AmIslamic Bank	-	(2,463)
Amount transferred to AmBank	-	2,463
Exchange differences	(81)	(109)
Balance at end of financial year/period	182,847	1,636,371

	(Charge off)/ recoveries RM'000
Bad debts written off during the year/period	(42,678)
Bad debt recoveries during the year/period	285,438

	31 MARCH 2014	
	Individual impairment allowances RM'000	**Collective impairment allowances RM'000**
Balance at beginning of financial year	186,122	1,948,313
Effect arising from the pooling of interests	-	38,660
As restated	186,122	1,986,973
Charge for the year/period – net	216,719	602,110
Amount written-off	(235,466)	(639,938)
Amount transferred from AmIslamic Bank	-	-
Amount transferred to AmBank	-	-
Exchange differences	177	1,411
Balance at end of financial year/period	167,552	1,950,556

	(Charge off)/ recoveries RM'000
Bad debts written off during the year/period	(73,098)
Bad debt recoveries during the year/period	821,567

* Upon expiry of the RPSIA contract on 2 May 2014, the Bank derecognised the collective allowance. Accordingly, AmIslamic now accounts for the collective allowance in its financial statements. The gross exposure and collective allowance relating to the RPSIA financing as at 31 March 2014 for the Group and the Bank was RM450.1 million and RM2.5 million respectively.

The was no individual allowance provided for the RPSIA financing up to the expiry of the RPSIA contract.

6.0 Credit Risk Exposure under the Standardised Approach

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

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

30 SEPTEMBER 2014												
	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	12,264,751	24,461	-	3,288,972	-	-	-	428,768	-	-	16,006,952	-
20%	12,001	10,776,284	-	2,987,419	6,799	-	-	-	145,184	-	13,927,688	2,785,537
35%	-	-	-	-	-	10,062,931	-	-	-	-	10,062,931	3,522,026
50%	-	1,392,893	-	360,477	31,290	582,539	-	-	-	-	2,367,199	1,183,601
75%	-	-	-	-	34,861,064	-	-	-	-	-	34,861,064	26,145,798
100%	-	5,937	110,987	44,593,888	1,229,794	123,449	-	2,888,663	-	9,582	48,962,300	48,962,299
150%	-	-	-	338,753	292,512	-	137,782	-	-	-	769,047	1,153,571
1250%	-	-	-	-	-	-	-	-	2,878	-	2,878	35,980
Total	12,276,752	12,199,575	110,987	51,569,509	36,421,459	10,768,919	137,782	3,317,431	148,062	9,582	126,960,059	83,788,811

31 MARCH 2014												
	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	17,174,218	14,221	-	3,454,129	-	-	-	410,290	-	-	21,052,858	-
20%	200	8,149,006	-	2,811,319	11,875	-	-	6,449	164,923	-	11,143,772	2,228,753
35%	-	-	-	-	-	10,116,493	-	-	-	-	10,116,493	3,540,772
50%	-	2,422,531	-	366,948	32,072	537,724	-	-	-	-	3,359,275	1,679,638
75%	-	-	-	-	36,581,523	-	-	-	-	-	36,581,523	27,436,142
100%	-	66	53,470	45,901,636	1,250,663	121,405	-	3,121,372	-	9,386	50,457,998	50,457,999
150%	-	-	-	272,787	286,481	-	143,036	-	-	-	702,304	1,053,456
1250%	-	-	-	-	-	-	-	-	6,459	-	6,459	80,739
Total	17,174,418	10,585,824	53,470	52,806,819	38,162,614	10,775,622	143,036	3,538,111	171,382	9,386	133,420,682	86,477,499

Table 6.2: Rated Exposures according to Ratings by ECAIs

	30 SEPTEMBER 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	B1 to D	Unrated
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	110,987	-	-	-	-	110,987
Corporates	55,745,412	2,290,703	222,780	-	31	53,231,898
Total	55,856,399	2,290,703	222,780	-	31	53,342,885

	31 MARCH 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	B1 to D	Unrated
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	53,470	-	-	-	-	53,470
Corporates	57,115,590	2,220,910	233,798	-	33	54,660,849
Total	57,169,060	2,220,910	233,798	-	33	54,714,319

	30 SEPTEMBER 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
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	RII	a-1+,a-1	a-2	a-3	b,c	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	-	-	-	-	-	-
Rated Credit Exposures						
Corporates	-	-	-	-	-	-
Total	-	-	-	-	-	-

	31 MARCH 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
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	RII	a-1+,a-1	a-2	a-3	b,c	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	104,813	104,813	-	-	-	-
Rated Credit Exposures						
Corporates	-	-	-	-	-	-
Total	104,813	104,813	-	-	-	-

Table 6.2: Rated Exposures according to Ratings by ECAIs (Cont'd.)

	30 SEPTEMBER 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
	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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	12,291,496	196,798	12,094,698	-	-	-
Total	**12,291,496**	**196,798**	**12,094,698**	**-**	**-**	**-**

	31 MARCH 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
	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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	**17,174,418**	522,405	16,652,013	-	-	-
Total	**17,174,418**	**522,405**	**16,652,013**	**-**	**-**	**-**

	30 SEPTEMBER 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
	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	12,199,575	4,471,689	1,772,763	32,436	48	5,922,639
Total	**12,199,575**	**4,471,689**	**1,772,763**	**32,436**	**48**	**5,922,639**

	31 MARCH 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
	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	**10,481,010**	1,070,567	927,474	925,132	62	7,557,775
Total	**10,481,010**	**1,070,567**	**927,474**	**925,132**	**62**	**7,557,775**

Table 6.3: Securitisation according to Ratings by ECAIs

	30 SEPTEMBER 2014			
	Ratings of Securitisation by Approved ECAIs			
	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**
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures				
Securitisation exposures	148,062	145,184	-	2,878
Total	148,062	145,184	-	2,878

	31 MARCH 2014			
	Ratings of Securitisation by Approved ECAIs			
	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**
Exposure class	**RM'000**	**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

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

	30 SEPTEMBER 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	12,274,994	-	14,989
Banks, DFIs And MDBs	10,009,198	-	-
Insurance companies, Securities firms and Fund managers	85,880	-	-
Corporates	46,156,356	747,200	7,285,926
Regulatory retail	34,021,488	5,290	365,717
Residential mortgages	10,552,139	-	109,947
Higher risk assets	121,694	-	-
Other assets	3,317,431	-	-
Securitisation exposures	148,062	-	-
Equity exposures	9,582	-	-
Defaulted exposures	1,144,483	4,090	34,825
Total for on balance sheet exposures	117,841,307	756,580	7,811,404
Off balance sheet exposures			
OTC derivatives	2,509,389	-	-
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,983,064	13,781	1,576,813
Defaulted exposures	83,705	50	14,662
Total for off balance sheet exposures	13,576,174	13,831	1,591,475
Total on and off balance sheet exposures	**131,417,481**	**770,411**	**9,402,879**

	31 MARCH 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	17,174,218	-	-
Banks, DFIs And MDBs	8,551,010	-	-
Insurance companies, securities firms and fund managers	32,857	-	-
Corporates	47,296,504	1,063,194	7,842,064
Regulatory retail	35,399,658	9,696	366,236
Residential mortgages	10,500,745	-	98,733
Higher risk assets	126,280	-	-
Other assets	3,538,111	-	-
Securitisation exposures	171,382	-	-
Equity exposures	9,386	-	-
Defaulted exposures	1,170,846	6,177	40,296
Total for on balance sheet exposures	123,970,997	1,079,067	8,347,329
Off balance sheet exposures			
OTC derivatives	2,321,708	-	-
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,675,486	8,784	1,790,809
Defaulted exposures	36,032	50	11,839
Total for off balance sheet exposures	14,033,242	8,834	1,802,648
Total on and off balance sheet exposures	**138,004,239**	**1,087,901**	**10,149,977**

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

The aggregated off balance sheet exposures and counterparty credit risk of the AMMB Banking Group is as follows:

Description	30 SEPTEMBER 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	1,281,015		901,425	804,513
Transaction related contingent Items	5,166,116		2,769,184	2,038,843
Short Term Self Liquidating trade related contingencies	719,528		145,374	112,255
Assets sold with recourse	300		300	300
Forward Asset Purchases	534,387		16,051	4,309
Obligations under an on-going underwriting agreements	289,324		-	-
Foreign exchange related contracts				
One year or less	27,664,437	183,874	426,184	245,741
Over one year to five years	3,115,346	118,575	292,129	231,707
Interest/Profit rate related contracts				
One year or less	6,421,415	4,135	14,362	3,738
Over one year to five years	28,261,239	136,942	874,705	259,699
Over five years	6,503,439	43,354	505,525	154,530
Equity and commodity related contracts				
One year or less	597,835	10,766	24,210	24,210
Over one year to five years	10,937	3,022	5,934	2,967
Over five years	61,845	-	-	-
Other Commodity Contracts				
One year or less	321,520	321	32,795	16,399
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	307,216	4,639	11	5
Over five years	306,662	16,293	5	3
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,454,514		2,727,421	2,401,022
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,269,923		3,679,982	3,270,251
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	-		-	-
Unutilised credit card lines	4,135,153		827,031	616,891
Total	110,649,459	607,792	13,576,174	10,458,610

Description	31 MARCH 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	1,336,108		1,207,308	1,050,829
Transaction related contingent Items	5,370,402		2,749,602	1,925,160
Short Term Self Liquidating trade related contingencies	677,065		135,407	100,189
Assets sold with recourse	100		100	100
Forward Asset Purchases	275,872		6,530	3,744
Obligations under an on-going underwriting agreements	296,375		-	-
Foreign exchange related contracts				
One year or less	23,311,484	91,629	235,814	154,345
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/Profit 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	484,540	4,971	21,569	14,509
Over one year to five years	331,103	480	20,127	10,063
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	306,519	4,651	10	5
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,169,893		3,065,133	2,649,405
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,399,196		3,700,104	3,376,901
Unutilised credit card lines	4,235,678		847,135	633,037
Total	105,009,141	536,529	14,033,242	11,069,098

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")
Credit derivatives that create exposures to counterparty credit risk are as follows:

		30 SEPTEMBER 2014		31 MARCH 2014	
		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	313,878	300,000	312,485	300,000

* Out of the total notional exposure for protection bought as at 30 September 2014, RM283,500,000 (31 March 2014: RM283,500,000) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of AMMB Banking Group is as follows:

	30 SEPTEMBER 2014			
Underlying Asset	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year/period RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	159,290	-	96,254	-
Mortgage loans	775,146	-	766,311	-
Total Traditional Securitisation	934,436	-	862,565	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	**934,436**	**-**	**862,565**	**-**

	31 MARCH 2014			
Underlying Asset	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year/period RM'000**
Traditional Securitisation				
Originated by the Group				
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**	**-**

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

	30 SEPTEMBER 2014						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
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**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	145,184	145,184	-	145,184	-	-	29,037
Originated by the Group							
On Balance Sheet Exposures	2,878	2,878	-	-	-	2,878	35,980
Total Traditional Securitisation	148,062	148,062	-	145,184	-	2,878	65,017
Total Synthetic Securitisation	-	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**148,062**	**148,062**	**-**	**145,184**	**-**	**2,878**	**65,017**

	31 MARCH 2014						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
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**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	164,923	164,923	-	164,923	-	-	32,984
Originated by the Group							
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 & Synthetic Securitisation	**171,382**	**171,382**	**-**	**164,923**	**-**	**6,459**	**113,723**

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

	30 SEPTEMBER 2014				
Securitisation Exposures by Exposure Type	**Total exposures value of positions 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	35,571	5,075	5,777	5,685	21,471
Total Traditional Securitisation	35,571	5,075	5,777	5,685	21,471
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	35,571	5,075	5,777	5,685	21,471

	31 MARCH 2013				
Securitisation Exposures by Exposure Type	**Total exposures value of positions 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 & Synthetic Securitisation	40,685	-	895	814	21,363

10.0 Non-Traded Market Risk

Table 10.1: Interest Rate Risk/ Rate of Return Risk Sensitivity in the Banking Book

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

Impact On Profit Before Taxation	30 SEPTEMBER 2014	
	Interest Rate / Rate of Return + 100 bps	Interest Rate / Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	126,413	(126,413)

Impact on Equity		
	Interest Rate / Rate of Return + 100 bps	Interest Rate / Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	(534,313)	632,380

Impact On Profit Before Taxation	31 MARCH 2014	
	Interest Rate / Rate of Return + 100 bps	Interest Rate / Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	162,628	(162,628)

Impact on Equity		
	Interest Rate / Rate of Return + 100 bps	Interest Rate / Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	(569,021)	632,380

11.0 Equities (Banking Book Positions)

Table 11.1: Equity investments and capital requirement

An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group is as follows:

	30 SEPTEMBER 2014	31 MARCH 2014
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	187,567	188,288
Value of unquoted (privately held) equities	100,254	102,465
Total	**287,821**	**290,753**
Net realised and unrealised gains/ (losses)		
Cumulative realised gains/ (losses) from sales and liquidations	2,424	41,204
Total unrealised gains/ (losses)	(884)	(12,154)
Total	**1,540**	**29,050**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	187,567	188,288
Equity investments subject to a 150% risk weight	150,382	153,699
Total	**337,949**	**341,987**
Total minimum capital requirement (8%)	**27,036**	**27,359**

12.0 Shariah Governance Structure

Group Islamic Banking operations observe the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia.

12.1 Non-Shariah compliant income

The governance structure and control has been emplaced by AmIslamic Bank as to facilitate all business activities, products and services offered, and legal in order to mitigate Shariah non-compliant incidents.

As at 30 September 2014, the review of operational processes detected one Shariah non-compliant incident involving financing income of approximating RM 112,300.