

# **AMMB Banking Group** **Pillar 3 Disclosure**

As at 30 September 2015

# **RWCAF- Pillar 3 Disclosures (Applicable to the regulated banking subsidiaries of the Group) For 30 September 2015**

## **Contents**

	<b>Page</b>	
<b>1</b>	<b>Scope of Application</b>	<b>1</b>
<b>2</b>	<b>Capital Management</b>	<b>3</b>
<b>3</b>	<b>Capital Structure</b>	<b>7</b>
<b>4</b>	<b>General Risk Management</b>	<b>14</b>
<b>5</b>	<b>Credit Risk Management</b>	<b>15</b>
<b>6</b>	<b>Credit Risk Exposure under Standardised Approach</b>	<b>25</b>
<b>7</b>	<b>Credit Risk Mitigation</b>	<b>30</b>
<b>8</b>	<b>Off Balance Sheet Exposures and Counterparty Credit Risk</b>	<b>31</b>
<b>9</b>	<b>Securitisation</b>	<b>33</b>
<b>10</b>	<b>Non-Traded Market Risk</b>	<b>36</b>
<b>11</b>	<b>Equities (Banking Book Positions)</b>	<b>37</b>
<b>12</b>	<b>Liquidity Risk and Funding Management</b>	<b>38</b>
<b>13</b>	<b>Shariah Governance Structure</b>	<b>38</b>

## 1.0 Scope of Application

### *The Pillar 3 Disclosure Framework*

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.

### *AmBank Group Pillar 3 Disclosure*

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

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an aggregated basis. The information provided has been verified by the Group internal auditors and certified by the Acting 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](http://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") Capital ratio	Tier 1 Capital ratio	Total Capital ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	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 support its strategy.

The capital plan takes the following into account:

- (a) Regulatory capital requirements:
  - forecast demand for capital to support the credit ratings; and
  - increases in demand for capital due to business growth and market shocks.
- (b) Or stresses:
  - available supply of capital and capital raising options; and
  - internal controls and governance for managing the Group's risk, performance and capital.

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

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

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

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

The capital that the Group is required to hold is determined by its balance sheet, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. 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 ending 31 March 2016 ("FY 2016"), these ranges are 8.1% to 10.1% for the Common Equity Tier 1 Capital Ratio, 9.6% to 11.6% 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.

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.

**Table 2.1: Capital Adequacy Ratios**

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

	30.09.15			Group *
	AmBank	AmBank Islamic	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital ratio	10.361%	9.239%	24.875%	10.793%
Tier 1 Capital ratio	12.076%	9.239%	24.875%	12.015%
Total Capital ratio	15.468%	14.253%	24.875%	15.831%
After deducting proposed dividends:				
CET1 Capital ratio	10.071%	9.239%	24.146%	10.577%
Tier 1 Capital ratio	11.786%	9.239%	24.146%	11.799%
Total Capital ratio	15.178%	14.253%	24.146%	15.614%
	31.03.15			Group *
	AmBank	AmBank Islamic	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital ratio	10.653%	9.200%	24.196%	10.975%
Tier 1 Capital ratio	12.446%	9.200%	24.196%	12.245%
Total Capital ratio	16.020%	14.371%	24.196%	16.233%
After deducting proposed dividends:				
CET1 Capital ratio	10.023%	9.200%	22.820%	10.508%
Tier 1 Capital ratio	11.816%	9.200%	22.820%	11.778%
Total Capital ratio	15.390%	14.371%	22.820%	15.766%

Notes:

- (i) 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%

- (ii) 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](http://www.ambankgroup.com).

**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 2015							
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 RPSIA RM'000	Total Risk Weighted Assets after effects of RPSIA RM'000	Minimum capital requirement at 8% RM'000
<b>1. Credit risk</b>							
<b>On balance sheet exposures</b>							
Sovereigns/ central banks		8,605,437	8,548,685	-	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		13,383,549	13,383,549	2,788,954	-	2,788,954	223,116
Insurance companies, Securities firms and Fund managers		2	-	-	-	-	-
Corporates		52,823,138	51,363,078	42,049,934	1,367,987	40,681,947	3,254,556
Regulatory retail		31,244,168	30,095,955	23,529,299	-	23,529,299	1,882,344
Residential mortgages		10,831,429	10,809,121	3,846,892	-	3,846,892	307,751
Higher risk assets		112,312	112,312	168,468	-	168,468	13,477
Other assets		4,593,497	4,593,497	4,188,651	-	4,188,651	335,092
Securitisation exposures		53,668	53,668	20,183	-	20,183	1,615
Equity exposures		4,214	4,214	4,214	-	4,214	337
Defaulted exposures		1,296,075	1,282,350	1,614,564	-	1,614,564	129,165
<b>Total for on balance sheet exposures</b>		<b>122,947,489</b>	<b>120,246,429</b>	<b>78,211,159</b>	<b>1,367,987</b>	<b>76,843,172</b>	<b>6,147,453</b>
<b>Off balance sheet exposures:</b>							
Over the counter ("OTC") derivatives		6,196,703	6,196,703	2,866,654	-	2,866,654	229,332
Credit derivatives		16	16	8	-	8	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		10,858,109	10,013,940	8,932,743	-	8,932,743	714,619
Defaulted exposures		37,404	36,035	54,052	-	54,052	4,325
<b>Total for off balance sheet exposures</b>		<b>17,092,232</b>	<b>16,246,694</b>	<b>11,853,457</b>	<b>-</b>	<b>11,853,457</b>	<b>948,277</b>
<b>Total on and off balance sheet exposures</b>		<b>140,039,721</b>	<b>136,493,123</b>	<b>90,064,616</b>	<b>1,367,987</b>	<b>88,696,629</b>	<b>7,095,730</b>
<b>2. Large exposures risk requirement</b>				406	-	406	32
<b>3. Market risk</b>							
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	101,698,985	100,089,388		2,435,666	-	2,435,666	194,853
- Specific interest rate risk/Rate of return risk	2,154,609	597,417		195,305	-	195,305	15,625
Foreign currency risk	699,356	46,063		699,356	-	699,356	55,949
Equity risk							
- General risk	201,897	5,699		196,198	-	196,198	15,696
- Specific risk	201,897	5,699		272,069	-	272,069	21,766
Option risk	809,741	542,829		115,980	-	115,980	9,279
<b>Total</b>	<b>105,766,485</b>	<b>101,287,095</b>		<b>3,914,574</b>	<b>-</b>	<b>3,914,574</b>	<b>313,168</b>
<b>4. Operational risk</b>				6,750,409	-	6,750,409	540,033
<b>5. Total RWA and capital requirements</b>				<b>100,730,005</b>	<b>1,367,987</b>	<b>99,362,018</b>	<b>7,948,963</b>

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

As at 30 September 2015, the gross exposure and collective allowance relating to the RPSIA financing are RM1,368.0 million and RM1.6 million (31 March 2015: RM1,363.8 million and RM1.6 million respectively). There was no individual allowance provided for the RPSIA financing. RPSIA assets excluded from the risk-weighted capital adequacy computation of AmBank Islamic for 30 September 2015 amounted to RM1,368.0 million (31 March 2015: RM1,363.8 million) and the risk weight on these RPSIA assets are accounted for in the computation of capital adequacy of AmBank.

**Table 2.2 Risk-Weighted Assets and Capital Requirements**

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

31 MARCH 2015							
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 RPSIA RM'000	Total Risk Weighted Assets after effects of RPSIA RM'000	Minimum capital requirement at 8% RM'000
<b>1. Credit risk</b>							
<b>On balance sheet exposures</b>							
Sovereigns/ central banks		12,225,767	12,225,767	-	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		12,408,855	12,408,855	2,594,507	-	2,594,507	207,561
Insurance companies, Securities firms and Fund managers		35,068	35,068	35,068	-	35,068	2,805
Corporates		52,163,610	48,697,187	40,305,638	1,363,811	38,941,827	3,115,346
Regulatory retail		32,239,542	32,051,629	24,276,596	-	24,276,596	1,942,128
Residential mortgages		10,961,099	10,938,010	3,889,953	-	3,889,953	311,196
Higher risk assets		120,233	120,233	180,349	-	180,349	14,428
Other assets		4,068,190	4,068,190	3,668,927	-	3,668,927	293,514
Securitisation exposures		54,626	54,626	27,088	-	27,088	2,167
Equity exposures		5,395	5,395	5,395	-	5,395	432
Defaulted exposures		1,163,558	1,151,136	1,386,084	-	1,386,084	110,887
<b>Total for on balance sheet exposures</b>		<b>125,445,943</b>	<b>121,756,096</b>	<b>76,369,605</b>	<b>1,363,811</b>	<b>75,005,794</b>	<b>6,000,464</b>
<b>Off balance sheet exposures:</b>							
Over the counter ("OTC") derivatives		3,820,769	3,820,769	1,665,359	-	1,665,359	133,229
Credit derivatives		16	16	8	-	8	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		10,720,143	9,871,131	8,832,374	-	8,832,374	706,590
Defaulted exposures		41,686	38,436	57,610	-	57,610	4,609
<b>Total for off balance sheet exposures</b>		<b>14,582,614</b>	<b>13,730,352</b>	<b>10,555,351</b>	<b>-</b>	<b>10,555,351</b>	<b>844,429</b>
<b>Total on and off balance sheet exposures</b>		<b>140,028,557</b>	<b>135,486,448</b>	<b>86,924,956</b>	<b>1,363,811</b>	<b>85,561,145</b>	<b>6,844,893</b>
<b>2. Large exposures risk requirement</b>				1,474	-	1,474	118
<b>3. Market risk</b>							
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	86,476,527	84,366,499		2,028,187	-	2,028,187	162,255
- Specific interest rate risk/Rate of return risk	3,124,503	939,785		150,546	-	150,546	12,044
Foreign currency risk	512,639	28,797		512,639	-	512,639	41,011
Equity risk							
- General risk	171,042	5,313		165,763	-	165,763	13,261
- Specific risk	171,042	5,313		258,396	-	258,396	20,672
Option risk	549,005	306,933		7,112	-	7,112	569
<b>Total</b>	<b>91,004,758</b>	<b>85,652,640</b>		<b>3,122,643</b>	<b>-</b>	<b>3,122,643</b>	<b>249,812</b>
<b>4. Operational risk</b>				6,946,680	-	6,946,680	555,734
<b>5. Total RWA and capital requirements</b>				<b>96,995,753</b>	<b>1,363,811</b>	<b>95,631,942</b>	<b>7,650,557</b>



### 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/period 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)f of IFSA and is not distributable as cash dividends.

**(ii) Capital Reserve and Merger Reserve/(Deficit)**

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/(Deficit)**

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/(Deficit)**

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.

**(f) Profit Equalisation Reserve**

Profit equalisation reserve is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to Investment Account Holders ("IAH") which is as stipulated by BNM's Guidelines on Profit Equalisation Reserve. Profit equalisation reserve is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. The amount of the profit equalisation reserve is derecognised in the calculation of CET 1 Capital. As at 30 September 2015, AmBank Islamic has discontinued with the application of PER.

**(g) Regulatory Reserve**

Regulatory reserve is maintained in accordance with paragraph 13.1 of the the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent. The amount of the regulatory 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 2015, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 70% 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 outlined below.

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

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013	
Instruments	RM'000
Non-cumulative Non-voting Guaranteed	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	<b>1,735,100</b>

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 2015, the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 70% 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 AmBank Islamic 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	<b>1,967,800</b>

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 AmBank Islamic and the Basel III Gradual Phase-Out Treatment**

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

Calendar year	Cap on Tier 2 Capital Instruments that can be 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 Medium Term Notes ("MTN") Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

The MTNs issued under the MTN Programme was included as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are eligible for gradual phase-out treatment under the transitional arrangement of the Basel III accord, for recognition as Tier 2 Capital for capital adequacy calculation.

The salient features of the MTNs issued under this programme and outstanding as at 30 September 2015 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
9 April 2008	9 April 2018	15 years Non-Callable 10 years	6.25% per annum (step up by 0.5% per annum after its first call date).	600
16 October 2012	16 October 2017	10 years Non-Callable 5 years	4.45% per annum	710
<b>Total</b>				<b>1,310</b>

**Basel II Subordinated Sukuk Musharakah**

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

The Sukuk Musharakah is for a period of 10 years. AmBank Islamic 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.

Sukuk Musharakah issued under the Sukuk Musharakah programme was included 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.

The salient features of the Sukuk Musharakah issued under the Subordinated Sukuk Musharakah programme and outstanding as at 30 September 2015 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
30 September 2011	30 September 2016	10 years Non-Callable 5 years	4.40% per annum	480
31 January 2012	31 January 2017	10 years Non-Callable 5 years	4.35% per annum	190
24 December 2012	23 December 2017	10 years Non-Callable 5 years	4.45% per annum	130
<b>Total</b>				<b>800</b>

**Basel III Subordinated Notes**

On 30 December 2013, AmBank established a new Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing 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. Securities issued under this programme are fully Basel III compliant and qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

The programme has a tenor of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenor of at least 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 salient features of the Subordinated Notes issued under this programme and outstanding as at 30 September 2015 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
30 December 2013	30 December 2018	10 years Non-Callable 5 years	5.20% per annum	400
<b>Total</b>				<b>400</b>

**Basel III Subordinated Sukuk Murabahah**

On 28 February 2014, AmBank Islamic had implemented a 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 AmBank Islamic'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 and qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

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 salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2015 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
28 February 2014	28 February 2019	10 years Non-Callable 5 years	5.07% per annum	200
25 March 2014	25 March 2019	10 years Non-Callable 5 years	5.05% per annum	150
<b>Total</b>				<b>350</b>

**Table 3.3: Capital Structure**

The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	30.09.15			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<b><u>CET1 Capital</u></b>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,944,444	868,762	78,202	6,134,799
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(50,471)	(18,325)	300	(68,166)
Foreign exchange translation reserve	115,648	-	-	175,729
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Profit equalisation reserve	-	-	-	-
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	111,805
Cash flow hedging reserve	14,932	-	-	14,932
Less: Regulatory adjustments applied on CET1 capital				
Intangible assets	(334,395)	(16)	(2,170)	(343,136)
Deferred tax assets	(67,546)	-	(3,381)	(71,980)
Profit equalisation reserve	-	-	-	-
Cash flow hedging reserve	(14,932)	-	-	(14,932)
55% of cumulative gains of AFS financial instruments	-	-	(165)	(194)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(15,444)	-	(54,324)	(15,164)
Deduction in excess of Tier 2 capital**	-	-	(77,265)	(16,922)
<b>CET1 Capital</b>	<b>7,336,413</b>	<b>2,520,873</b>	<b>341,197</b>	<b>10,724,215</b>
<b><u>Additional Tier 1 Capital</u></b>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,214,570	-	-	1,214,570
<b>Tier 1 Capital</b>	<b>8,550,983</b>	<b>2,520,873</b>	<b>341,197</b>	<b>11,938,785</b>
<b><u>Tier 2 Capital</u></b>				
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)	1,310,000	700,000	-	2,010,000
Collective allowance and regulatory reserve	714,737	317,963	4,221	1,036,880
Less: Regulatory adjustments applied on Tier 2 Capital	(23,166)	-	(4,221)	(5,822)
<b>Tier 2 Capital</b>	<b>2,401,571</b>	<b>1,367,963</b>	<b>-</b>	<b>3,791,058</b>
<b>Total Capital</b>	<b>10,952,554</b>	<b>3,888,836</b>	<b>341,197</b>	<b>15,729,843</b>
Credit RWA	62,992,175	26,805,023	937,831	90,064,616
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(1,367,987)	-	(1,367,987)
Total Credit RWA	62,992,175	25,437,036	937,831	88,696,629
Market RWA	3,330,039	327,378	128,967	3,914,574
Operational RWA	4,487,624	1,520,474	304,434	6,750,409
Large exposure risk RWA for equity holdings	-	-	406	406
<b>Total Risk Weighted Assets</b>	<b>70,809,838</b>	<b>27,284,888</b>	<b>1,371,638</b>	<b>99,362,018</b>

\* 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).

**Table 3.3: Capital Structure**

The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31.03.15			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<b><u>CET1 Capital</u></b>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,874,087	747,523	82,533	5,953,934
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	1,323	(6,592)	1,024	(4,309)
Foreign exchange translation reserve	50,585	-	-	87,982
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Profit equalisation reserve	-	3,904	-	3,904
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	111,805
Cash flow hedging reserve	(481)	-	-	(481)
Less: Regulatory adjustments applied on CET1 capital				
Intangible assets	(327,689)	(20)	(1,710)	(337,689)
Deferred tax assets	(98,869)	-	(2,782)	(105,328)
Profit equalisation reserve	-	(3,904)	-	(3,904)
Cash flow hedging reserve	481	-	-	481
55% of cumulative gains of AFS financial instruments	(728)	-	(563)	(1,256)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(28,652)	-	(52,370)	(12,846)
Deduction in excess of Tier 2 Capital**	-	-	(74,446)	(13,922)
<b>CET1 Capital</b>	<b>7,214,234</b>	<b>2,411,363</b>	<b>351,686</b>	<b>10,495,815</b>
<b><u>Additional Tier 1 Capital</u></b>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,214,570	-	-	1,214,570
<b>Tier 1 Capital</b>	<b>8,428,804</b>	<b>2,411,363</b>	<b>351,686</b>	<b>11,710,385</b>
<b><u>Tier 2 Capital</u></b>				
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)	1,310,000	700,000	-	2,010,000
Collective allowance and regulatory reserve	753,172	305,338	4,111	1,059,188
Less: Regulatory adjustments applied on Tier 2 capital	(42,978)	-	(4,111)	(5,348)
<b>Tier 2 Capital</b>	<b>2,420,194</b>	<b>1,355,338</b>	<b>-</b>	<b>3,813,840</b>
<b>Total Capital</b>	<b>10,848,998</b>	<b>3,766,701</b>	<b>351,686</b>	<b>15,524,225</b>
Credit RWA	60,253,770	25,790,830	1,122,413	86,924,956
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(1,363,811)	-	(1,363,811)
Total Credit RWA	60,253,770	24,427,019	1,122,413	85,561,145
Market RWA	2,774,466	230,629	16,101	3,122,643
Operational RWA	4,694,931	1,553,441	314,533	6,946,680
Large exposure risk RWA for equity holdings	-	-	438	1,474
<b>Total Risk Weighted Assets</b>	<b>67,723,167</b>	<b>26,211,089</b>	<b>1,453,485</b>	<b>95,631,942</b>

\* 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 to enable successful execution.

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

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Regulatory Compliance incorporating, inter alia, limit structures for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and operational risk and regulatory compliance triggers.

##### Board Approved Risk Appetite Statement

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

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel 3 requirement for CET 1, Tier 1 Capital, and Total Capital. Our capital requirements are robustly tested over a three year period.

We adopt a 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 up to maximum 100% 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 and sales activities by instituting appropriate governance, culture, and controls to promote acceptable behaviour.

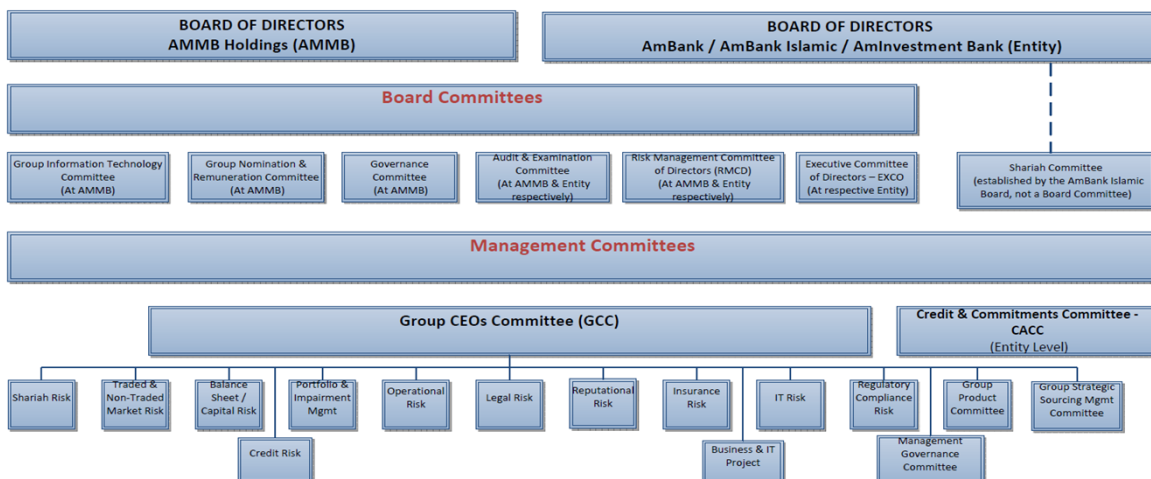
##### Risk Management Governance

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, liquidity risk, credit risk, operational risk and regulatory compliance risk.

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.

Group Product Committee ("GPC"), a sub-committee of the Group CEOs Committee is responsible to oversee activities in managing products for the Group; and to advise and report to the Group CEOs Committee on product related matters.

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





## 5.0 Credit Risk Management

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

<b>Identification</b>	<ul style="list-style-type: none"> <li>• Identify/ recognise credit risk on transactions and/ or positions</li> <li>• Select asset and portfolio mix</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>• Internal credit rating system</li> <li>• Probability of default ("PD")</li> <li>• Loss given default ("LGD")</li> <li>• Exposure at default ("EAD")</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>• Portfolio limits, counterparty limits, benchmark returns</li> <li>• Collateral &amp; tailored facility structures</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>• Monitor and report portfolio mix</li> <li>• Review customer under Classified Account</li> <li>• Undertake post mortem review</li> </ul>

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/ or positions as well as Shariah compliance risk (please refer to Section 12 for discussion on Shariah Governance 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
- Setting Loan/ Financing to Value limits for asset backed loans/ financing (i.e., property exposures and other collateral);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be submitted to the Executive Committee of Directors ("EXCO") for review and endorsement, or approval, as the case may be. 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.

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

## 5.1 Impairment

### 5.1.1 Definition of Past Due and Impaired Loans, Financing and Advances

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 is classified as impaired under the following circumstances:

- (a) When the principal or interest or both is past due<sup>1</sup> 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<sup>2</sup>; 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<sup>3</sup>).
- (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.

<sup>1</sup> 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.

<sup>2</sup> Material obligation as determined by Management.

<sup>3</sup> 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 2015															
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>															
Sovereigns/ Central banks	-	-	-	-	148,188	-	-	-	8,457,249	-	-	-	-	-	8,605,437
Banks, DFIs and MDBs	-	-	-	-	-	-	-	13,303,384	-	-	-	70,097	-	10,068	13,383,549
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	2	-	-	-	-	-	-	2
Corporates	4,026,892	4,012,151	8,471,068	735,501	5,963,955	4,711,577	2,951,919	5,612,299	-	8,190,702	977,953	3,263,792	3,686,373	218,956	52,823,138
Regulatory retail	55,520	16,322	230,512	3,440	176,655	268,907	86,969	188,999	-	108,778	90,129	127,664	29,844,927	45,346	31,244,168
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	10,831,429	-	10,831,429
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	12,023	100,289	112,312
Other assets	-	-	-	-	-	-	-	2,893	-	-	-	-	461,334	4,129,270	4,593,497
Securitisation exposures	-	-	-	-	-	-	-	31,475	-	22,193	-	-	-	-	53,668
Equity exposures	-	-	8	-	-	-	-	4,066	-	-	-	-	-	140	4,214
Defaulted exposures	5,456	436	41,333	6,914	37,806	50,111	6,456	5,616	-	493,242	3,930	9,090	619,608	16,077	1,296,075
<b>Total for on balance sheet exposures</b>	<b>4,087,868</b>	<b>4,028,909</b>	<b>8,742,921</b>	<b>745,855</b>	<b>6,326,604</b>	<b>5,030,595</b>	<b>3,045,344</b>	<b>19,148,734</b>	<b>8,457,249</b>	<b>8,814,915</b>	<b>1,072,012</b>	<b>3,470,643</b>	<b>45,455,694</b>	<b>4,520,146</b>	<b>122,947,489</b>
<b>Off balance sheet exposures</b>															
OTC derivatives	14,420	308,057	321,247	-	7,572	7,831	75,042	5,383,464	-	5,549	72,878	519	-	124	6,196,703
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	362,425	450,001	1,904,997	290,200	2,038,422	798,251	277,347	677,713	-	1,248,590	262,708	343,375	2,169,681	34,399	10,858,109
Defaulted exposures	-	-	1,571	-	20,754	12,507	500	1,204	-	220	422	61	41	124	37,404
<b>Total for off balance sheet exposures</b>	<b>376,845</b>	<b>758,058</b>	<b>2,227,815</b>	<b>290,200</b>	<b>2,066,748</b>	<b>818,589</b>	<b>352,889</b>	<b>6,062,397</b>	<b>-</b>	<b>1,254,359</b>	<b>336,008</b>	<b>343,955</b>	<b>2,169,722</b>	<b>34,647</b>	<b>17,092,232</b>
<b>Total on and off balance sheet exposures</b>	<b>4,464,713</b>	<b>4,786,967</b>	<b>10,970,736</b>	<b>1,036,055</b>	<b>8,393,352</b>	<b>5,849,184</b>	<b>3,398,233</b>	<b>25,211,131</b>	<b>8,457,249</b>	<b>10,069,274</b>	<b>1,408,020</b>	<b>3,814,598</b>	<b>47,625,416</b>	<b>4,554,793</b>	<b>140,039,721</b>

**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 2015															
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>															
Sovereigns/ Central banks	-	-	-	-	151,112	-	-	-	12,074,655	-	-	-	-	-	12,225,767
Banks, DFIs and MDBs	-	-	-	-	-	-	-	12,282,183	-	-	-	71,389	-	55,283	12,408,855
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	35,068	-	-	-	-	-	-	35,068
Corporates	3,875,404	3,741,894	8,232,753	1,395,327	6,631,807	4,805,559	2,331,067	5,823,425	-	8,014,784	1,292,913	3,146,169	2,726,954	145,554	52,163,610
Regulatory retail	71,946	17,617	218,998	3,391	202,301	262,702	94,183	223,287	-	100,286	97,063	136,570	30,773,848	37,350	32,239,542
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	10,961,099	-	10,961,099
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,868	101,365	120,233
Other assets	-	-	-	-	-	-	-	31,346	-	-	-	-	515,170	3,521,674	4,068,190
Securitisation exposures	-	-	-	-	-	-	-	23,669	-	-	-	30,957	-	-	54,626
Equity exposures	-	-	7	-	-	-	-	5,227	-	-	-	-	-	161	5,395
Defaulted exposures	8,454	300	47,263	7,820	34,096	34,046	9,141	7,904	-	363,741	6,024	9,194	625,205	10,370	1,163,558
<b>Total for on balance sheet exposures</b>	<b>3,955,804</b>	<b>3,759,811</b>	<b>8,499,021</b>	<b>1,406,538</b>	<b>7,019,316</b>	<b>5,102,307</b>	<b>2,434,391</b>	<b>18,432,109</b>	<b>12,074,655</b>	<b>8,478,811</b>	<b>1,396,000</b>	<b>3,394,279</b>	<b>45,621,144</b>	<b>3,871,757</b>	<b>125,445,943</b>
<b>Off balance sheet exposures</b>															
OTC derivatives	3,161	185,794	125,721	-	6,474	4,125	68,813	3,373,040	-	8,953	41,469	629	-	2,590	3,820,769
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	284,680	585,610	1,738,026	189,920	2,293,086	765,437	295,338	629,377	-	1,039,212	267,568	321,872	2,296,856	13,161	10,720,143
Defaulted exposures	-	1,134	2,342	-	29,044	2,428	652	5,146	-	110	431	15	259	125	41,686
<b>Total for off balance sheet exposures</b>	<b>287,841</b>	<b>772,538</b>	<b>1,866,089</b>	<b>189,920</b>	<b>2,328,604</b>	<b>771,990</b>	<b>364,803</b>	<b>4,007,579</b>	<b>-</b>	<b>1,048,275</b>	<b>309,468</b>	<b>322,516</b>	<b>2,297,115</b>	<b>15,876</b>	<b>14,582,614</b>
<b>Total on and off balance sheet exposures</b>	<b>4,243,645</b>	<b>4,532,349</b>	<b>10,365,110</b>	<b>1,596,458</b>	<b>9,347,920</b>	<b>5,874,297</b>	<b>2,799,194</b>	<b>22,439,688</b>	<b>12,074,655</b>	<b>9,527,086</b>	<b>1,705,468</b>	<b>3,716,795</b>	<b>47,918,259</b>	<b>3,887,633</b>	<b>140,028,557</b>

**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 2015																
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	6,151	4,150	194,891	18,170	25,484	54,983	39,166	526	-	558,368	14,368	9,214	759,228	12,072	-	<b>1,696,771</b>
Past due loans / financing	21,931	43,047	291,278	19,962	112,951	120,684	80,861	5,107	-	675,019	33,266	42,287	10,138,158	35,692	-	<b>11,620,243</b>
Individual allowance	-	3,031	131,784	10,673	7,216	2,895	21,693	-	-	42,774	6,623	101	3,435	-	-	<b>230,225</b>
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,340,042	<b>1,340,042</b>
Charges / (writeback) for individual allowance	-	(2,918)	(110)	(1,918)	(302)	(2,663)	9,447	-	-	12,507	(222)	(341)	69	-	-	<b>13,549</b>
Write-offs against individual allowance	-	-	5,458	440	336	5,152	832	-	-	-	266	536	6,127	-	-	<b>19,147</b>

31 MARCH 2015																
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	9,142	7,041	206,878	21,361	21,685	43,289	24,277	451	-	398,608	15,921	12,603	797,553	13,922	-	<b>1,572,731</b>
Past due loans / financing	21,442	9,442	217,827	841	97,258	118,048	100,778	7,195	-	343,655	49,490	52,749	10,456,534	42,613	-	<b>11,517,872</b>
Individual allowance	-	5,949	137,352	13,032	7,854	10,710	13,078	-	-	30,267	7,111	978	9,493	-	-	<b>235,823</b>
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,413,424	<b>1,413,424</b>
Charges / (writeback) for individual allowance	(11)	2,959	24,703	(11,659)	12,967	12,810	(952)	10,359	-	24,958	9,020	1,732	5,263	692	-	<b>92,841</b>
Write-offs against individual allowance	-	137	5,862	-	112	-	2,695	21	-	-	-	-	2,800	-	-	<b>11,627</b>

**Table 5.3: Geographical distribution of credit exposures**

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

	30 SEPTEMBER 2015		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On balance sheet exposures</b>			
Sovereigns/ Central banks	7,770,316	835,121	8,605,437
Banks, DFIs and MDBs	12,702,537	681,012	13,383,549
Insurance companies, Securities firms and Fund managers	2	-	2
Corporates	49,463,313	3,359,825	52,823,138
Regulatory retail	31,239,239	4,929	31,244,168
Residential mortgages	10,831,429	-	10,831,429
Higher risk assets	112,269	43	112,312
Other assets	4,305,748	287,749	4,593,497
Specialised Financing/ Investment	-	-	-
Securitisation exposures	53,668	-	53,668
Equity exposures	4,214	-	4,214
Defaulted exposures	1,295,948	127	1,296,075
<b>Total for on balance sheet exposures</b>	<b>117,778,683</b>	<b>5,168,806</b>	<b>122,947,489</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	6,196,703	-	6,196,703
Credit derivatives	16	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,120,742	737,367	10,858,109
Defaulted exposures	37,404	-	37,404
<b>Total for off balance sheet exposures</b>	<b>16,354,865</b>	<b>737,367</b>	<b>17,092,232</b>
<b>Total on and off balance sheet exposures</b>	<b>134,133,548</b>	<b>5,906,173</b>	<b>140,039,721</b>

	31 MARCH 2015		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On balance sheet exposures</b>			
Sovereigns/ Central banks	11,707,281	518,486	12,225,767
Banks, DFIs and MDBs	11,377,395	1,031,460	12,408,855
Insurance companies, Securities firms and Fund managers	35,068	-	35,068
Corporates	49,419,827	2,743,783	52,163,610
Regulatory retail	32,232,582	6,960	32,239,542
Residential mortgages	10,961,099	-	10,961,099
Higher risk assets	119,150	1,083	120,233
Other assets	3,862,688	205,502	4,068,190
Securitisation exposures	54,626	-	54,626
Equity exposures	5,395	-	5,395
Defaulted exposures	1,163,401	157	1,163,558
<b>Total for on balance sheet exposures</b>	<b>120,938,512</b>	<b>4,507,431</b>	<b>125,445,943</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	3,820,764	5	3,820,769
Credit derivatives	16	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,017,519	702,624	10,720,143
Defaulted exposures	41,686	-	41,686
<b>Total for off balance sheet exposures</b>	<b>13,879,985</b>	<b>702,629</b>	<b>14,582,614</b>
<b>Total on and off balance sheet exposures</b>	<b>134,818,497</b>	<b>5,210,060</b>	<b>140,028,557</b>

**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 2015		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,696,771	-	1,696,771
Past due loans / financing	11,620,243	-	11,620,243
Individual allowance	230,225	-	230,225
Collective allowance	1,327,188	12,854	1,340,042

	31 MARCH 2015		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,572,731	-	1,572,731
Past due loans / financing	11,517,872	-	11,517,872
Individual allowance	235,823	-	235,823
Collective allowance	1,399,449	13,975	1,413,424

**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 2015								Total RM'000
	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	
<b>On balance sheet exposures</b>									
Sovereigns/ central banks	3,538,648	219,754	300,162	28,272	163,166	110,460	4,244,975	-	8,605,437
Banks, DFIs and MDBs	7,458,701	4,501,195	1,098,312	-	120,175	-	205,166	-	13,383,549
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	2	-	2
Corporates	12,811,281	3,892,803	4,583,857	1,240,285	6,787,887	5,005,472	18,501,553	-	52,823,138
Regulatory retail	1,519,036	69,760	100,654	300,112	2,736,959	5,781,002	20,736,645	-	31,244,168
Residential mortgages	351	391	879	4,472	57,957	129,096	10,638,283	-	10,831,429
Higher risk assets	31	-	26	11	275	814	10,866	100,289	112,312
Other assets	1,222,849	6,150	7,851	16,528	309,463	106,394	-	2,924,262	4,593,497
Specialised Financing/ Investment	-	-	-	-	-	-	-	-	-
Securitisation exposures	13	-	-	-	-	-	53,655	-	53,668
Equity exposures	4,066	-	-	-	-	-	8	140	4,214
Defaulted exposures	472,358	11,169	13,297	37,910	125,565	141,262	494,514	-	1,296,075
<b>Total for on balance sheet exposures</b>	<b>27,027,334</b>	<b>8,701,222</b>	<b>6,105,038</b>	<b>1,627,590</b>	<b>10,301,447</b>	<b>11,274,500</b>	<b>54,885,667</b>	<b>3,024,691</b>	<b>122,947,489</b>
<b>Off balance sheet exposures</b>									
OTC derivatives	515,442	799,148	797,379	1,372,332	398,594	761,559	1,552,249	-	6,196,703
Credit derivatives	-	-	-	11	-	-	5	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,104,625	1,341,291	1,261,623	1,934,056	2,043,991	815,090	2,357,433	-	10,858,109
Defaulted exposures	9,064	14,308	1,528	10,451	142	25	1,886	-	37,404
<b>Total for off balance sheet exposures</b>	<b>1,629,131</b>	<b>2,154,747</b>	<b>2,060,530</b>	<b>3,316,850</b>	<b>2,442,727</b>	<b>1,576,674</b>	<b>3,911,573</b>	<b>-</b>	<b>17,092,232</b>
<b>Total on and off balance sheet exposures</b>	<b>28,656,465</b>	<b>10,855,969</b>	<b>8,165,568</b>	<b>4,944,440</b>	<b>12,744,174</b>	<b>12,851,174</b>	<b>58,797,240</b>	<b>3,024,691</b>	<b>140,039,721</b>



**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:

	31 MARCH 2015								Total RM'000
	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	
<b>On balance sheet exposures</b>									
Sovereigns/ central banks	7,363,872	518,486	39,691	-	-	111,715	4,192,003	-	12,225,767
Banks, DFIs and MDBs	5,786,428	6,015,151	202,669	41,929	25,205	95,456	236,803	5,214	12,408,855
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	35,068	-	35,068
Corporates	12,611,990	3,879,843	3,253,383	2,286,742	6,341,510	6,317,590	17,472,552	-	52,163,610
Regulatory retail	1,604,464	66,964	125,313	274,956	2,689,845	5,709,215	21,768,785	-	32,239,542
Residential mortgages	761	299	1,134	3,828	58,387	129,986	10,766,704	-	10,961,099
Higher risk assets	1	25	14	59	479	1,444	16,846	101,365	120,233
Other assets	1,244,268	8,900	11,214	23,028	453,106	203,050	-	2,124,624	4,068,190
Specialised Financing/ Investment	-	-	-	-	-	-	-	-	-
Securitisation exposures	6	-	-	-	-	-	54,620	-	54,626
Equity exposures	5,226	-	-	-	-	-	8	161	5,395
Defaulted exposures	395,222	8,560	11,180	14,865	95,191	127,028	511,512	-	1,163,558
<b>Total for on balance sheet exposures</b>	<b>29,012,238</b>	<b>10,498,228</b>	<b>3,644,598</b>	<b>2,645,407</b>	<b>9,663,723</b>	<b>12,695,484</b>	<b>55,054,901</b>	<b>2,231,364</b>	<b>125,445,943</b>
<b>Off balance sheet exposures</b>									
OTC derivatives	332,521	251,288	278,084	410,913	644,305	558,032	1,345,626	-	3,820,769
Credit derivatives	-	-	-	-	10	-	6	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,424,378	1,034,971	1,165,335	1,911,504	1,949,721	906,960	2,327,274	-	10,720,143
Defaulted exposures	3,734	13,330	1,482	18,708	399	977	3,056	-	41,686
<b>Total for off balance sheet exposures</b>	<b>1,760,633</b>	<b>1,299,589</b>	<b>1,444,901</b>	<b>2,341,125</b>	<b>2,594,435</b>	<b>1,465,969</b>	<b>3,675,962</b>	<b>-</b>	<b>14,582,614</b>
<b>Total on and off balance sheet exposures</b>	<b>30,772,871</b>	<b>11,797,817</b>	<b>5,089,499</b>	<b>4,986,532</b>	<b>12,258,158</b>	<b>14,161,453</b>	<b>58,730,863</b>	<b>2,231,364</b>	<b>140,028,557</b>

**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 2015	
	Individual impairment allowance RM'000	Collective impairment allowance RM'000
<b>Balance at beginning of the financial year</b>	235,823	1,413,424
Charge for the year – net	13,549	255,864
Reclassification to assets held for sale	-	-
Amount written-off	(19,147)	(332,576)
Amount transferred from AmBank Islamic (Note 1)	-	-
Amount transferred to AmBank	-	-
Exchange differences	-	3,330
<b>Balance at end of the financial year (Note 2)</b>	<b>230,225</b>	<b>1,340,042</b>
		<b>(Charge off)/ recoveries</b>
		<b>RM'000</b>
Bad debts written off during the year/period		(49,599)
Bad debt recoveries during the year/period		371,695

	31 MARCH 2015	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
<b>Balance at beginning of the financial year</b>	167,552	1,950,556
Charge for the year – net	91,027	504,522
Reclassification to assets held for sale	(9,906)	-
Amount written-off	(13,303)	(1,043,652)
Amount transferred from AmBank Islamic (Note 1)	-	(2,463)
Amount transferred to AmBank	-	2,463
Exchange differences	453	1,998
<b>Balance at end of the financial year (Note 2)</b>	<b>235,823</b>	<b>1,413,424</b>
		<b>(Charge off)/ recoveries</b>
		<b>RM'000</b>
Bad debts written off during the year		622,275
Bad debt recoveries during the year		-

Note 1 On 2 May 2014, upon expiry of the RPSIA contract entered into with AmBank Islamic in the financial year ended 31 March 2013, AmBank had derecognised the collective allowance previously recognised in its financial statements. Accordingly, AmBank Islamic now accounts for the collective allowance in its financial statements.

Note 2 As at 30 September 2015, the gross exposure and collective allowance relating to the RPSIA financing are RM1,368.0 million and RM1.6 million (31 March 2015: RM1,363.8 million and RM1.6 million respectively). There was no individual allowance provided for the RPSIA financing for 30 September 2015 and 31 March 2015.

## 6.0 Credit Risk Exposure under the Standardised Approach

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

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

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

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Rating ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

## 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 2015													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance Companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total Exposures after Netting and CRM	Total Risk Weighted Assets	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	8,548,685	24,323	-	4,788,613	-	-	-	404,413	-	-	13,766,034	-	
20%	54,104	15,490,150	-	5,752,918	2,242	-	-	542	52,900	-	21,352,856	4,270,572	
35%	-	-	-	-	-	10,392,231	-	-	-	-	10,392,231	3,637,281	
50%	-	2,383,682	-	103,423	21,202	451,933	-	-	-	-	2,960,240	1,480,120	
75%	-	-	-	-	31,358,770	-	-	-	-	-	31,358,770	23,519,078	
100%	-	3,484	46,445	50,059,025	1,169,422	219,615	-	4,188,542	-	4,214	55,690,747	55,690,747	
150%	-	-	-	636,280	206,227	-	128,970	-	-	-	971,477	1,457,215	
1250%	-	-	-	-	-	-	-	-	768	-	768	9,603	
Total	8,602,789	17,901,639	46,445	61,340,259	32,757,863	11,063,779	128,970	4,593,497	53,668	4,214	136,493,123	90,064,616	

31 MARCH 2015													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance Companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total Exposures after Netting and CRM	Total Risk Weighted Assets	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	12,225,767	24,797	-	5,245,411	-	-	-	399,263	-	-	17,895,238	-	
20%	-	13,485,048	-	4,752,350	3,467	-	-	-	53,312	-	18,294,177	3,658,836	
35%	-	-	-	-	-	10,536,010	-	-	-	-	10,536,010	3,687,604	
50%	-	1,995,411	-	330,482	24,648	457,069	-	-	-	-	2,807,610	1,403,804	
75%	-	-	-	-	32,791,674	-	-	-	-	-	32,791,674	24,593,755	
100%	-	553	92,007	47,227,192	1,132,645	225,492	-	3,668,927	-	5,395	52,352,211	52,352,211	
150%	-	-	-	500,266	171,086	-	136,862	-	-	-	808,214	1,212,320	
1250%	-	-	-	-	-	-	-	-	1,314	-	1,314	16,426	
Total	12,225,767	15,505,809	92,007	58,055,701	34,123,520	11,218,571	136,862	4,068,190	54,626	5,395	135,486,448	86,924,956	

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 SEPTEMBER 2015						
Ratings of Corporate by Approved ECAIs						
	Moody's	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
<b>Credit exposures (using corporate risk weights)</b>						
Insurance companies, Securities firms and Fund managers	46,447	-	-	-	-	46,447
Corporates	64,556,405	3,700,328	1,918	431	-	60,853,728
<b>Total</b>	<b>64,602,852</b>	<b>3,700,328</b>	<b>1,918</b>	<b>431</b>	<b>-</b>	<b>60,900,175</b>

31 MARCH 2015						
Ratings of Corporate by Approved ECAIs						
	Moody's	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
<b>Credit exposures (using corporate risk weights)</b>						
Insurance companies, Securities firms and Fund managers	92,007	-	-	-	-	92,007
Corporates	62,338,535	2,995,459	217,821	134	56	59,125,065
<b>Total</b>	<b>62,430,542</b>	<b>2,995,459</b>	<b>217,821</b>	<b>134</b>	<b>56</b>	<b>59,217,072</b>

30 SEPTEMBER 2015						
Short term Ratings of Banking Institutions and Corporate by Approved ECAIs						
	Moody's	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Banks, DFIs and MDBs	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 MARCH 2015						
Short term Ratings of Banking Institutions and Corporate by Approved ECAIs						
	Moody's	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
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Banks, DFIs and MDBs	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

30 SEPTEMBER 2015						
Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moody's	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	
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
Sovereigns and Central banks	8,659,542	835,121	7,824,421	-	-	-
<b>Total</b>	<b>8,659,542</b>	<b>835,121</b>	<b>7,824,421</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 MARCH 2015						
Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moody's	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	
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
Sovereigns and Central banks	12,225,767	518,486	11,707,281	-	-	-
<b>Total</b>	<b>12,225,767</b>	<b>518,486</b>	<b>11,707,281</b>	<b>-</b>	<b>-</b>	<b>-</b>

30 SEPTEMBER 2015						
Ratings of Banking Institutions by Approved ECAIs						
Moody's	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	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Banks, DFIs and MDBs	17,901,638	6,929,582	3,870,429	1,042,193	90	6,059,344
<b>Total</b>	<b>17,901,638</b>	<b>6,929,582</b>	<b>3,870,429</b>	<b>1,042,193</b>	<b>90</b>	<b>6,059,344</b>

31 MARCH 2015						
Ratings of Banking Institutions by Approved ECAIs						
Moody's	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	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Banks, DFIs and MDBs	15,505,808	4,934,672	2,697,113	1,428,843	49	6,445,131
<b>Total</b>	<b>15,505,808</b>	<b>4,934,672</b>	<b>2,697,113</b>	<b>1,428,843</b>	<b>49</b>	<b>6,445,131</b>

**Table 6.3: Securitisation according to Ratings by ECAs**

30 SEPTEMBER 2015				
Ratings of Securitisation by Approved ECAs				
	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
Exposure class	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>				
Securitisation exposures	53,668	52,900	-	768
<b>Total</b>	<b>53,668</b>	<b>52,900</b>	<b>-</b>	<b>768</b>

31 MARCH 2015				
Ratings of Securitisation by Approved ECAs				
	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
Exposure class	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>				
Securitisation exposures	54,626	53,312	-	1,314
<b>Total</b>	<b>54,626</b>	<b>53,312</b>	<b>-</b>	<b>1,314</b>

## 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:

Exposures	30 SEPTEMBER 2015		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
<b>Credit risk</b>			
<b>On balance sheet exposures</b>			
Sovereigns/ Central banks	8,605,437	-	56,752
Banks, DFIs And MDBs	13,383,549	-	-
Insurance companies, Securities firms and Fund managers	2	-	2
Corporates	52,823,138	854,928	6,278,587
Regulatory retail	31,244,168	1,952	341,628
Residential mortgages	10,831,429	-	125,507
Higher risk assets	112,312	-	-
Other assets	4,593,497	-	-
Securitisation exposures	53,668	-	-
Equity exposures	4,214	-	-
Defaulted exposures	1,296,075	1,325	69,152
<b>Total for on balance sheet exposures</b>	<b>122,947,489</b>	<b>858,205</b>	<b>6,871,628</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	6,196,703	-	-
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,858,109	5,282	1,531,076
Defaulted exposures	37,404	-	1,381
<b>Total for off balance sheet exposures</b>	<b>17,092,232</b>	<b>5,282</b>	<b>1,532,457</b>
<b>Total on and off balance sheet exposures</b>	<b>140,039,721</b>	<b>863,487</b>	<b>8,404,085</b>

Exposures	31 MARCH 2015		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
<b>Credit risk</b>			
<b>On balance sheet exposures</b>			
Sovereigns/ Central banks	12,225,767	-	-
Banks, DFIs And MDBs	12,408,855	-	-
Insurance companies, securities firms and fund managers	35,068	-	-
Corporates	52,163,610	1,263,686	7,786,794
Regulatory retail	32,239,542	2,642	331,409
Residential mortgages	10,961,099	-	126,181
Higher risk assets	120,233	-	-
Other assets	4,068,190	-	-
Securitisation exposures	54,626	-	-
Equity exposures	5,395	-	-
Defaulted exposures	1,163,558	2,186	67,595
<b>Total for on balance sheet exposures</b>	<b>125,445,943</b>	<b>1,268,514</b>	<b>8,311,979</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	3,820,769	-	-
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,720,143	15,067	1,610,807
Defaulted exposures	41,686	35	12,604
<b>Total for off balance sheet exposures</b>	<b>14,582,614</b>	<b>15,102</b>	<b>1,623,411</b>
<b>Total on and off balance sheet exposures</b>	<b>140,028,557</b>	<b>1,283,616</b>	<b>9,935,390</b>



## 8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1:

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

Description	30 SEPTEMBER 2015			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Direct Credit Substitutes</b>	2,094,245		2,094,243	1,639,473
Transaction related contingent Items	5,059,393		2,529,696	1,706,584
Short Term Self Liquidating trade related contingencies	755,006		151,011	109,541
Assets sold with recourse	300		300	300
Forward Asset Purchases	503,665		19,768	14,015
Obligations under an on-going underwriting agreements	109,997		-	-
<b>Foreign exchange related contracts</b>				
One year or less	53,890,932	2,804,289	3,450,830	1,754,466
Over one year to five years	562,492	66,240	123,179	91,349
Over five years	2,191,188	428,540	850,481	468,434
<b>Interest/Profit rate related contracts</b>				
One year or less	7,424,548	5,176	20,845	6,995
Over one year to five years	32,498,239	241,817	1,029,338	330,688
Over five years	8,513,353	79,701	701,768	198,475
<b>Equity and commodity related contracts</b>				
One year or less	250,028	809	12,626	12,429
Over one year to five years	82,877	4,322	7,637	3,819
Over five years	-	-	-	-
<b>Other Commodity Contracts</b>				
One year or less	-	-	-	-
<b>Credit Derivative Contracts</b>				
One year or less	360,681	5,239	11	5
Over one year to five years	-	-	-	-
Over five years	359,938	51,889	5	3
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	4,906,706		2,454,363	2,263,345
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	15,387,885		3,090,983	2,840,961
Unutilised credit card lines	2,775,743		555,148	412,575
<b>Total</b>	<b>137,727,216</b>	<b>3,688,022</b>	<b>17,092,232</b>	<b>11,853,457</b>

Description	31 MARCH 2015			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Direct Credit Substitutes</b>	996,116		996,116	864,804
Transaction related contingent Items	6,355,902		3,177,951	2,267,393
Short Term Self Liquidating trade related contingencies	715,135		143,027	115,047
Assets sold with recourse	300		100	100
Forward Asset Purchases	824,066		55,226	25,761
Obligations under an on-going underwriting agreements	-		-	-
<b>Foreign exchange related contracts</b>				
One year or less	35,092,270	810,371	1,214,420	664,982
Over one year to five years	2,500,277	203,211	350,443	104,415
Over five years	1,950,414	228,324	616,206	340,259
<b>Interest/Profit rate related contracts</b>				
One year or less	4,922,516	1,989	10,347	3,796
Over one year to five years	31,036,561	115,815	838,890	278,245
Over five years	8,783,307	68,173	682,670	216,296
<b>Equity and commodity related contracts</b>				
One year or less	606,676	1,504	10,988	10,816
Over one year to five years	-	-	4,549	2,275
<b>Other Commodity Contracts</b>				
One year or less	363,034	363	37,029	18,514
Over one year to five years	-	-	-	-
<b>Credit Derivative Contracts</b>				
Over one year to five years	-	-	10	5
Over five years	326,889	33,133	6	3
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	4,970,929		2,511,000	2,264,785
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	15,645,655		3,142,257	2,787,962
Unutilised credit card lines	3,955,894		791,179	589,693
<b>Total</b>	<b>119,693,486</b>	<b>1,472,212</b>	<b>14,582,614</b>	<b>10,555,351</b>

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

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

		30 SEPTEMBER 2015		31 MARCH 2015	
		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	420,619	300,000	354,399	300,000

\* Out of the total notional exposure for protection bought as at 30 September 2015, RM283,500,000 (31 March 2015: 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 2015				
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/ losses recognised during the period/year RM'000
<b><u>Traditional Securitisation</u></b>				
<b><u>Originated by the Group</u></b>				
<b><u>Banking Book</u></b>				
Corporate loans	121,710	-	55,348	-
Mortgage loans	833,822	-	825,342	-
<b>Total Traditional Securitisation</b>	<b>955,532</b>	<b>-</b>	<b>880,690</b>	<b>-</b>
<b>Total Synthetic Securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Traditional and Synthetic Securitisation</b>	<b>955,532</b>	<b>-</b>	<b>880,690</b>	<b>-</b>

31 MARCH 2015				
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/ losses recognised during the period/year RM'000
<b><u>Traditional Securitisation</u></b>				
<b><u>Originated by the Group</u></b>				
<b><u>Banking Book</u></b>				
Corporate loans	165,580	-	100,918	-
Mortgage loans	801,925	-	792,193	-
<b>Total Traditional Securitisation</b>	<b>967,505</b>	<b>-</b>	<b>893,111</b>	<b>-</b>
<b>Total Synthetic Securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Traditional and Synthetic Securitisation</b>	<b>967,505</b>	<b>-</b>	<b>893,111</b>	<b>-</b>

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

30 SEPTEMBER 2015							
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights			Risk Weighted Assets RM'000
				Rated Securitisation Exposures or Guarantees/ 20% RM'000	Exposures or Risk weights of Credit Derivatives		
					50% RM'000	1250% RM'000	
<b>Traditional Securitisation</b>							
<b>Originated by Third Party</b>							
On Balance Sheet Exposures	52,900	52,900	-	52,900	-	-	10,580
<b>Originated by the Group</b>							
On Balance Sheet Exposures	768	768	-	-	-	768	9,603
<b>Total Traditional Securitisation</b>	<b>53,668</b>	<b>53,668</b>	<b>-</b>	<b>52,900</b>	<b>-</b>	<b>768</b>	<b>20,183</b>
<b>Total Traditional and Synthetic Securitisation</b>	<b>53,668</b>	<b>53,668</b>	<b>-</b>	<b>52,900</b>	<b>-</b>	<b>768</b>	<b>20,183</b>

31 MARCH 2015							
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights			Risk Weighted Assets RM'000
				Rated Securitisation Exposures or Guarantees/ 20% RM'000	Exposures or Risk weights of Credit Derivatives		
					50% RM'000	1250% RM'000	
<b>Traditional Securitisation</b>							
<b>Originated by Third Party</b>							
On Balance Sheet Exposures	53,312	53,312	-	53,312	-	-	10,662
<b>Originated by the Group</b>							
On Balance Sheet Exposures	1,314	1,314	-	-	-	1,314	16,426
<b>Total Traditional Securitisation</b>	<b>54,626</b>	<b>54,626</b>	<b>-</b>	<b>53,312</b>	<b>-</b>	<b>1,314</b>	<b>27,088</b>
<b>Total Traditional and Synthetic Securitisation</b>	<b>54,626</b>	<b>54,626</b>	<b>-</b>	<b>53,312</b>	<b>-</b>	<b>1,314</b>	<b>27,088</b>

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

30 SEPTEMBER 2015					
Securitisation Exposures by Exposure Type	Total exposure 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
<b>Traditional Securitisation</b>					
<b>Originated by Third Party</b>					
On Balance Sheet by Exposure Type -others	-	-	-	-	-
<b>Total Traditional Securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 MARCH 2015					
Securitisation Exposures by Exposure Type	Total exposure 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
<b>Traditional Securitisation</b>					
<b>Originated by Third Party</b>					
On Balance Sheet by Exposure Type -others	-	-	-	-	-
<b>Total Traditional Securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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:

<b>Impact On Profit Before Taxation</b>		<b>30 SEPTEMBER 2015</b>	
	Interest Rate / Rate of Return	Interest Rate / Rate of Return	Interest Rate / Rate of Return
	+ 100 bps	- 100 bps	
Currency	RM'000	RM'000	RM'000
MYR	149,373	(149,373)	
<b>Impact on Equity</b>			
	Interest Rate / Rate of Return	Interest Rate / Rate of Return	Interest Rate / Rate of Return
	+ 100 bps	- 100 bps	
Currency	RM'000	RM'000	RM'000
MYR	(566,093)	633,116	

<b>Impact On Profit Before Taxation</b>		<b>31 MARCH 2015</b>	
	Interest Rate / Rate of Return	Interest Rate / Rate of Return	Interest Rate / Rate of Return
	+ 100 bps	- 100 bps	
Currency	RM'000	RM'000	RM'000
MYR	155,510	(155,510)	
<b>Impact on Equity</b>			
	Interest Rate / Rate of Return	Interest Rate / Rate of Return	Interest Rate / Rate of Return
	+ 100 bps	- 100 bps	
Currency	RM'000	RM'000	RM'000
MYR	(550,073)	618,507	

**11.0 Equities (Banking Book Positions)****Table 11.1: Equity investments and capital requirement**

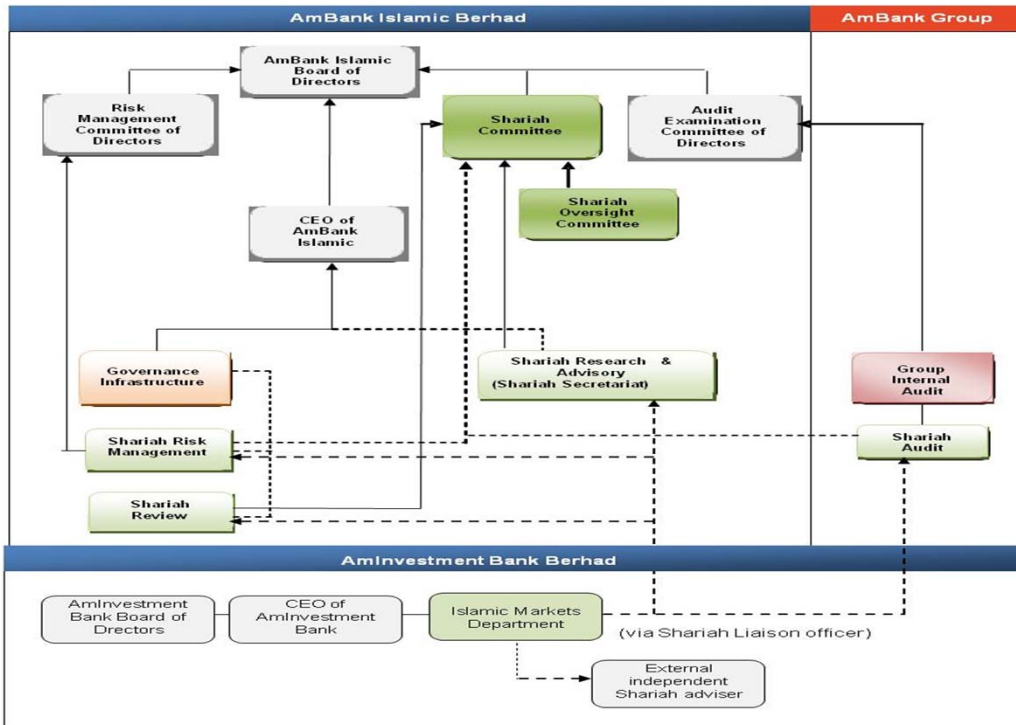
An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group is as follows:

	30 SEPTEMBER 2015	31 MARCH 2015
	RM'000	RM'000
<b>Non traded equity investments</b>		
Value of quoted (publicly traded) equities	150,128	176,996
Value of unquoted (privately held) equities	99,290	100,367
<b>Total</b>	<b>249,418</b>	<b>277,363</b>
<b>Net realised and unrealised gains/ (losses)</b>		
Cumulative realised gains/ (losses) from sales and liquidations	21,715	12,081
Total unrealised gains/ (losses)	(1,621)	(9,866)
<b>Total</b>	<b>20,094</b>	<b>2,215</b>
<b>Risk Weighted Assets</b>		
Equity investments subject to a 100% risk weight	150,088	176,957
Equity investments subject to a 150% risk weight	148,995	150,608
<b>Total</b>	<b>299,083</b>	<b>327,565</b>
<b>Total minimum capital requirement (8%)</b>	<b>23,927</b>	<b>26,205</b>

## 12.0 Liquidity Risk and Funding Management

The liquidity risk management of the Group is aligned to BNM’s policy document on Liquidity Coverage Ratio (“LCR”) issued by BNM on 31 March 2015.

## 13.0 Shariah Governance Structure



The Group has established a sound and robust Shariah governance structure for its Islamic banking operations in accordance with the requirements of BNM’s “Shariah Governance Framework for Islamic Financial Institutions”. This is to ensure the operations and business activities of AmBank Islamic Berhad (“AmBank Islamic”) comply with Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013. The structure has been further revised so as to enhance Shariah compliance culture in AmBank Islamic.

Apart from Shariah Research & Advisory, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic’s Shariah governance structure leverages on the Group’s platforms of Group Internal Audit Division for Shariah Audit function.

AmInvestment Bank adopts a leverage model whereby, through its Islamic window i.e. Islamic Markets Department (“IMD”), it leverages on AmBank Islamic Shariah Governance Structure, including the Shariah Committee of AmBank Islamic. Alternatively, IMD may also opt for independent external Shariah advisor(s) as approved by the Securities Commission (SC) of Malaysia (where applicable).

### Board of Directors

The Board of Directors (“The Board”) is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee of Directors (“AEC”), Risk Management Committee of Directors (“RMCD”) and the Shariah Committee.

### Audit and Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit.

### Risk Management Committee of Directors

RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control process are in place and functioning, including Shariah risk management.

### Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operation. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programs or activities.



### **Shariah Oversight Committee**

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on banking operations from Shariah perspective. The Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

### **Management**

Management is responsible to make reference to the Shariah Committee and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

### **Shariah Research & Advisory**

The Shariah Research & Advisory Department is accountable to the Shariah Committee and is responsible for providing day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

### **Shariah Risk Management**

The Shariah Risk Management ("SRM") function is accountable to the RMCD. The SRM is a function to systematically identify, measure, monitor and control of Shariah non-compliance risks to mitigate any possible non-compliance events.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st- The Business and Support Units; 2nd – Shariah Risk Management, Shariah Review, Shariah Research & Advisory, Compliance; 3rd – Shariah Audit.

### **Shariah Review**

The Shariah Review function is accountable to the Shariah Committee. The objective of the Shariah review function is to provide reasonable self-assurance for AmBank Islamic in its daily activities and operations thus to add value and improve the degree of Shariah awareness and compliance.

### **Shariah Audit**

The Shariah Audit function is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations through Shariah Audit function. Audit coverage include review of product structure documentation, adequacy of systems, internal controls and computation, staff competency and adequacy of the Shariah governance process.

#### **13.1 Non-Shariah compliant income**

There were no shariah non-compliant incidents and income during the financial period ended 30 September 2015 (three shariah non-compliant incidents for the financial year ended 31 March 2015 and involved a total income amount of RM113,600 which were refunded to the affected customer).