AmInvestment Bank Group

RWCAF - Pillar 3 Disclosures

31 March 2013

AmInvestment Bank Berhad Group
RWCAF - Pillar 3 Disclosures
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Contents

1.0 Scope of Application

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

The banking entity at AmInvestment Bank Berhad Group ("Group") level to which the RWCAF framework applies is AmInvestment Bank Berhad ("Bank")

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

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

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

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

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

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

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of Bank comprise the financial statements of the Bank and the financial statements of all its controlled entities (together referred to as the "Group" and individually referred to as "group entities") where it is determined that there is a capacity to control. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Type of entity	Accounting Treatment	
	Statutory reporting	**Basel III regulatory reporting**
Subsidiaries licensed under BAFIA[1] or IBA[2] or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk-weighted at the banking subsidiary entity level; Consolidated in calculation of capital adequacy at the banking subsidiary consolidated level
Associates and jointly controlled entities which are licensed under BAFIA or IBA or engaged in financial activities	Equity accounted	Deducted in calculation of capital
Associates and jointly controlled entities which are not licensed under BAFIA or IBA and not engaged in financial activities	Equity accounted	Reported as investment and risk weighted

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

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

[1] BAFIA denotes the Banking and Financial Institutions Act 1989.

[2] IBA denotes the Islamic Banking Act 1983.

2.0 Capital Management

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

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

The capital plan takes the following into account:

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

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

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

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

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

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

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Assets and Liabilities Committee ("GALCO"), which is responsible for managing the Group's balance sheet, capital and liquidity.

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

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2013 ("FY 2013"), these ranges are 7.33 per cent to 9.33 per cent for the Common Equity Tier 1 capital ratio, 9.33 per cent to 11.33 per cent for the Tier 1 capital ratio, and 13.33 per cent to 15.33 per cent for the Total Capital ratio. AmInvestment has been conservatively operating above these ranges.

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

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

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

Table 2.1: Capital Adequacy Ratios

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

	2013	
	Group	Bank
Before deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	24.4%	25.7%
Tier 1 Capital Ratio	24.4%	25.7%
Total Capital Ratio	24.4%	25.7%
After deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	24.4%	25.7%
Tier 1 Capital Ratio	24.4%	25.7%
Total Capital Ratio	24.4%	25.7%

	2012	
	Group	Bank
Before deducting proposed dividends:		
Core capital ratio	22.3%	21.5%
Risk weighted capital ratio	22.3%	21.5%
After deducting proposed dividends:		
Core capital ratio	21.2%	20.1%
Risk weighted capital ratio	21.2%	20.1%

(b) The capital adequacy ratios of the Islamic window of the Bank are as follows:

	2013 Islamic Window
Before deducting proposed dividends:	
Common Equity Tier 1 Capital Ratio	94.5%
Tier 1 Capital Ratio	94.5%
Total Capital Ratio	94.5%
After deducting proposed dividends:	
Common Equity Tier 1 Capital Ratio	94.5%
Tier 1 Capital Ratio	94.5%
Total Capital Ratio	94.5%

	2012 Islamic Window
Before deducting proposed dividends:	
Core capital ratio	51.4%
Risk weighted capital ratio	51.4%
After deducting proposed dividends:	
Core capital ratio	51.4%
Risk weighted capital ratio	51.4%

The comparative capital adequacy ratios are based on the Basel II accord and have not been restated based on Basel III accord as the Basel III is implemented on a prospective basis with effect from 1 January 2013.

Table 2.2: Risk Weighted Assets and Capital Requirements

(a) The breakdown of risk weighted assets ("RWA") by exposure in each major risk category of the Group is as follows:

2013

	Exposure Class	**Gross Exposures/ EAD before CRM**		**Net Exposures/ EAD after CRM**	**Risk Weighted Assets**	**Minimum Capital Requirement at 8%**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		204,952	204,952	-	-
	Banks, DFIs & MDBs		547,285	547,285	109,457	8,756
	Corporates		992,276	223,060	223,060	17,845
	Regulatory Retail		33,086	6,457	4,843	387
	Higher Risk Assets		14,211	14,211	21,317	1,705
	Other Assets		1,042,243	1,042,243	1,022,356	81,789
	Equity Exposure		16,135	16,135	16,135	1,291
	Defaulted Exposures		1,036	927	533	43
	Total for On-Balance Sheet Exposures		**2,851,224**	**2,055,270**	**1,397,701**	**111,816**
	Off-Balance Sheet Exposures					
	Off-balance sheet exposures other than OTC derivatives or credit derivatives		187,895	139,363	90,009	7,201
	Total for Off-Balance Sheet Exposures		**187,895**	**139,363**	**90,009**	**7,201**
	Total On and Off-Balance Sheet Exposures		**3,039,119**	**2,194,633**	**1,487,710**	**119,017**
2.	**Large Exposures Risk Requirement**		-	-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk				-	-
	- General interest rate risk	3,977	3,967			
	Foreign Currency Risk	5,139	4,026		5,139	411
	Equity Risk					
	- General risk	4,082	5,829		2,271	182
	- Specific risk	4,082	5,829		5,736	459
	Total	**17,280**	**19,651**		**13,146**	**1,052**
4.	Operational Risk				470,556	37,644
5.	Total RWA and Capital Requirements				**1,971,412**	**157,713**

The Group did not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent during the comparative period.

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

2012

	Exposure Class	**Gross Exposures/ EAD before CRM**		**Net Exposures/ EAD after CRM**	**Risk Weighted Assets**	**Minimum Capital Requirement at 8%**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		12,239	12,239	-	-
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDB")		565,294	565,294	113,262	9,061
	Corporates		573,715	145,903	146,390	11,711
	Regulatory Retail		39,824	7,904	6,009	481
	Higher Risk Assets		14,310	14,310	21,465	1,717
	Other Assets		1,218,349	1,218,349	976,046	78,084
	Equity Exposure		11,337	11,337	11,337	907
	Defaulted Exposures		450	150	225	18
	Total for On-Balance Sheet Exposures		**2,435,518**	**1,975,486**	**1,274,734**	**101,979**
	Off-Balance Sheet Exposures					
	Off-balance sheet exposures other than OTC derivatives or credit derivatives		252,145	213,270	178,730	14,298
	Defaulted Exposures		461	461	692	55
	Total for Off-Balance Sheet Exposures		**252,606**	**213,731**	**179,422**	**14,353**
	Total On and Off-Balance Sheet Exposures		**2,688,124**	**2,189,217**	**1,454,156**	**116,332**
2.	**Large Exposures Risk Requirement**		-	-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk					
	- General risk	1,802	1,797		-	-
	Foreign Currency Risk	2,212	2,090		2,212	177
	Equity Risk					
	- General risk	30,821	30,515		306	25
	- Specific risk	30,821	30,515		38,483	3,079
	Option Risk	148,100	-		203,638	16,291
	Total	**213,756**	**64,917**		**244,639**	**19,572**
4.	Operational Risk				541,955	43,356
5.	Total RWA and Capital Requirements				**2,240,750**	**179,260**

The Group did not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent during the comparative period.

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

(b) The breakdown of RWA by exposure in each major risk category of the Islamic window of the Bank is as follows:

2013

	Exposure Class	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		56	56	-	-
	Banks, DFIs and MDBs		191,705	191,705	38,341	3,067
	Other Assets		17,032	17,032	16,894	1,352
	Total for On-Balance Sheet Exposures		**208,793**	**208,793**	**55,235**	**4,419**
	Off-Balance Sheet Exposures					
	Off-balance sheet exposures other than OTC derivatives or credit derivatives		77,650	77,650	56,330	4,506
	Total for Off-Balance Sheet Exposures		**77,650**	**77,650**	**56,330**	**4,506**
	Total On and Off-Balance Sheet Exposures		**286,443**	**286,443**	**111,565**	**8,925**
2.	**Large Exposures Risk Requirement**		-	-	-	-
		Long Position	Short Position			
3.	Market Risk	-	-	-	-	-
4.	Operational Risk				44,921	3,594
5.	Total RWA and Capital Requirements				**156,486**	**12,519**

The Group did not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent during the comparative period.

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

2012

	Exposure Class	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		60	60	-	-
	Banks, DFIs & MDBs		173,732	173,732	34,746	2,780
	Other Assets		19,120	19,120	18,938	1,515
	Total for On-Balance Sheet Exposures		**192,912**	**192,912**	**53,684**	**4,295**
	Off-Balance Sheet Exposures					
	Off-balance sheet exposures other than OTC derivatives or credit derivatives		114,792	114,792	114,792	9,183
	Total for Off-Balance Sheet Exposures		**114,792**	**114,792**	**114,792**	**9,183**
	Total On and Off-Balance Sheet Exposures		**307,704**	**307,704**	**168,476**	**13,478**
2.	**Large Exposures Risk Requirement**		-	-	-	-
		Long Position	Short Position			
3.	Market Risk	-	-	-	-	-
4.	Operational Risk				93,271	7,462
5.	Total RWA and Capital Requirements				**261,747**	**20,940**

The Group did not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent during the comparative period.

3.0 Capital Structure

Table 3.1 Capital Structure summarises the consolidated capital position of the Group. The consolidated statement of financial position of the Bank includes capital under the following headings:

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

3.1 Common Equity Tier 1 Capital

Common Equity Tier 1 Capital consists of the following:

Paid-up Ordinary Share Capital

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

Share Premium

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

Retained Earnings

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

Other Disclosed Reserves

Other disclosed reserves comprise the following:

- **Statutory Reserve**
  Statutory reserve is maintained in compliance with the provisions of BAFIA and IBA and is not distributable as cash dividends.
- **Capital Reserve and Merger Reserve**
  The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangementunder group restructuring which involved capital reduction and was accounted for using the merger accounting method.
- **Foreign Exchange Translation Reserve**
  Exchange fluctuation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations,net of the effects of hedging.
- **Unrealised Gains on Available-for-Sale Financial Instruments**
  This comprises the unrealized gains arising from changes in fair value of financial instruments (other than loans / financing and receivables) classified as 'available-for-sale'. Where the available-for-sale reserve is a net gain outstanding balance, the banking subsidiary can recognize 45 per cent of the total outstanding balance as per Common Equity Tier 1. Where the available-for-sale reserve is a net loss outstanding balance, the entire outstanding balance is deducted in Common Equity Tier 1.

3.2 Additional Tier 1 Capital

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

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. AmInvestment does not have any Tier 2 capital instruments in issuance.

Table 3.1: Capital Structure

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

	2013	
	Group RM'000	**Bank RM'000**
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	200,000	200,000
Retained earnings	90,519	118,307
Unrealised gains on available-for-sale ("AFS") financial instruments	3,162	3,110
Foreign exchange translation reserve	29,988	-
Statutory reserve fund	200,000	200,000
Capital reserve	2,815	-
Merger reserve	7,656	-
Less : Regulatory adjustments applied on CET1 capital		
Goodwill	(11,243)	-
Other intangibles	(2,403)	(2,347)
Deferred tax assets	(14,750)	(11,512)
55% of cumulative gains of AFS financial instruments	(1,739)	(1,711)
Regulatory adjustments applied to CET1 Capital due to insufficient Additional Tier 1 and Tier 2 Capital	(23,267)	(110,010)
CET1 capital	**480,738**	**395,837**
T1 capital	**480,738**	**395,837**
Tier 2 ("T2") capital		
Collective impairment provisions and regulatory reserves #	2,789	2,789
Less : Regulatory adjustments applied on Tier 2 capital	(2,789)	(2,789)
Tier 2 capital	**-**	**-**
Total Capital	**480,738**	**395,837**

	2012	
	Group RM'000	**Bank RM'000**
Tier 1 capital		
Paid-up ordinary share capital	200,000	200,000
Statutory reserve	200,000	200,000
Capital reserve	2,815	-
Merger reserve	7,656	-
Exchange fluctuation reserve	28,066	-
Prior year's profit (MFRS 139)	4,704	4,704
Unappropriated profits at end of year	92,444	102,299
Total	535,685	507,003
Less: Goodwill	(11,243)	-
Deferred tax (assets)/liabilities - net	(19,983)	(16,824)
Total Tier 1 capital	504,459	490,179
Deduction in excess of allowable Tier 2 Capital	(19,164)	(107,395)
Maximum allowable Tier 1 Capital	485,295	382,784
Tier 2 capital		
Collective allowance for loans and financing #	3,914	3,914
Total Tier 2 capital	3,914	3,914
Total capital funds	489,209	386,698
Less: Investment in capital of related financial institution	(23,078)	(23,078)
Less: Investment in subsidiaries	-	(88,231)
Deduction in excess of allowable Tier 2 Capital made against Tier 1 Capital	19,164	107,395
Capital base	**485,295**	**382,784**

#Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group and the Bank of RM875,275 for 2013 (2012 : RM825,000).

Table 3.1: Capital Structure (Contd.)

The breakdown of risk weighted assets of the Group and the Bank in the various risk categories are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,487,710	1,390,966	1,118,859	1,060,041
Market risk	13,146	244,639	9,366	244,709
Operational risk	470,556	541,955	409,052	478,318
Total risk weighted assets	1,971,412	2,177,560	1,537,277	1,783,068

(b) The components of Tier 1 Capital of the Islamic window of the Bank is as follows:

	2013
	RM'000
<u>**Common Equity Tier 1 ("CET1") Capital**</u>	
Ordinary shares	30,000
Retained earnings	118,118
Less : Regulatory adjustments applied on CET1 capital	
Other intangibles	(4)
Deferred tax assets	(212)
CET1 capital	**147,902**
T1 capital	**147,902**
Tier 2 capital	-
Total Capital	**147,902**

	2012
	RM'000
Tier 1 Capital	
Islamic Banking Funds	30,000
Unappropriated profits at end of year	106,005
	136,005
Less: Deferred tax assets	(1,541)
Total Tier 1 Capital and Capital Base	**134,464**

The breakdown of risk weighted assets of the Islamic window of the Bank in the various risk categories are as follows:

	2013	2012
	RM'000	RM'000
Credit risk	111,565	168,476
Operational risk	44,921	93,271
Total risk weighted assets	156,486	261,747

4.0 Risk Management Framework

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

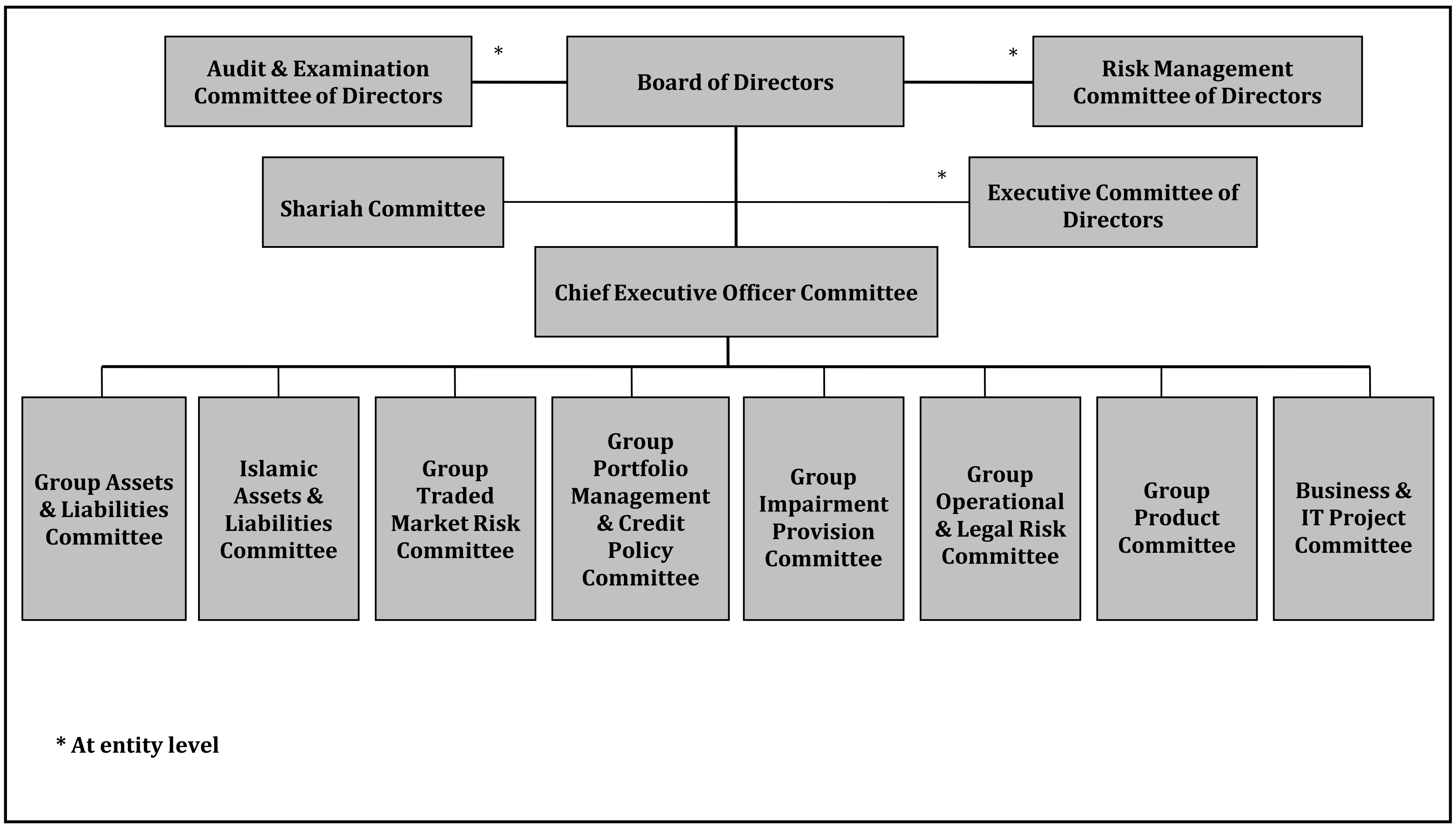
The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/ return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors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

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

Risk Management Governance

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

The Board has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Bank. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities up to end of March 2013 i.e. for FYE 2013:



Committee	Roles and Responsibilities
Risk Management Committee of Directors ("**RMCD**")	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advice the Board of Directors ("Board") on risk issues.
Audit & Examination Committee of Directors ("**AEC**")	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising Board of Directors and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic Banking operations of the Group. - The Shariah Oversight Committee, which is a sub-committee to the Shariah committee performs an oversight function for the key Shariah functions; Shariah review, Shariah audit, and Shariah Risk Management.
Executive Committee of Directors ("**EXCO**")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("**CEO Committee**")	- Responsible for overall day to day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advice the Board of Directors on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("**GALCO**")	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("**GTMRC**")	- Responsible for development of traded market risk policy framework, Oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("**GPMCP**")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	- Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk ("**GOLRC**")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("**GPC**")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product; and review post implementation activities and product performance.
Business and IT Project Committee ("**BITPC**")	- Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major Business and IT investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources. - Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

Effective April 2013, the Bank has decided to consolidate the various management committees into one single committee namely, Group CEOs Committee in order to streamline and centralise the management of risk.

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

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

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

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

4.1 Internal Capital Adequacy Assessment Process ("ICAAP')

The core objectives of the Group's ICAAP Policy are to:

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

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

The following key principles underpin the ICAAP.

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

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

4.1.2 Management Oversight

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

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

4.1.3 Capital Management Plan and Framework

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

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

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

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

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

- Minimums;
- Triggers; and
- Target operating ranges

4.1.5 Capital allocation:

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

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4.1.6 Material Risks

- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and

- Processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

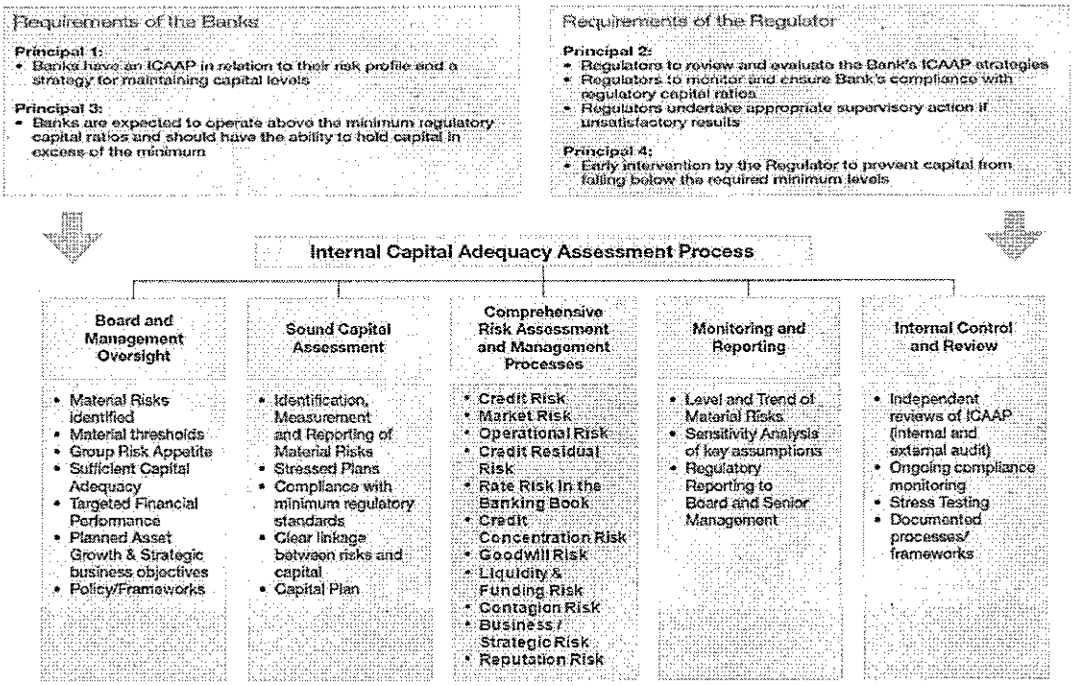
4.1.7 The Board must be notified and the regulator advised as soon as practicable of any:

- Significant departure from its ICAAP;
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and

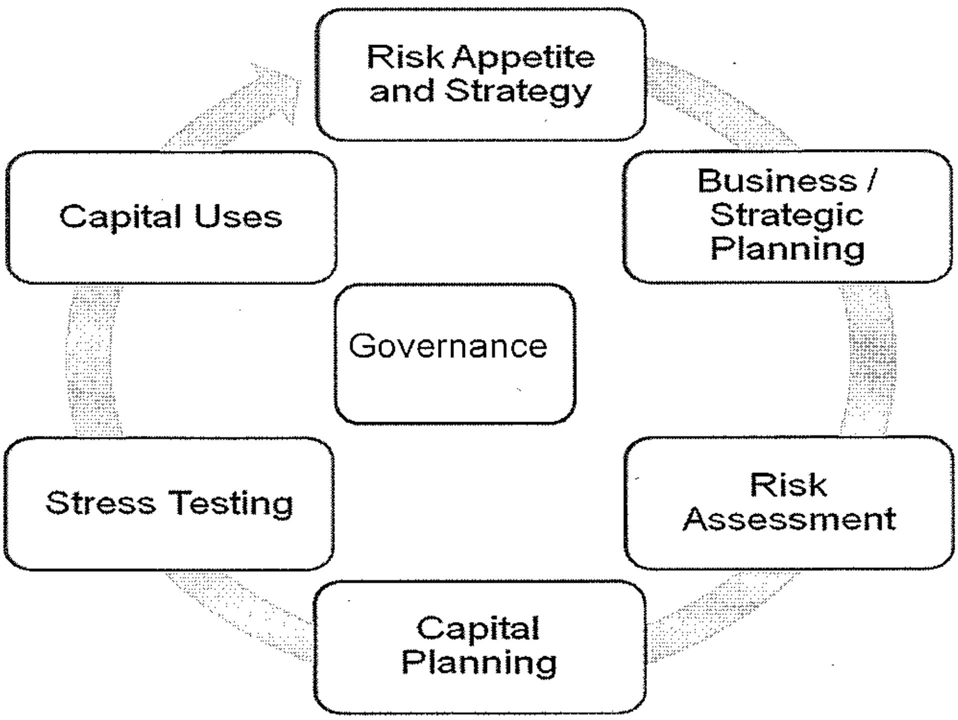
- Significant changes in its capital.

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

ICAAP Framework



Overview of ICAAP process and setting Internal Capital Targets



5.0 Credit Risk Management

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

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

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

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

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 is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/ review trigger on single counterparty credit;
- Asset writing strategies for group of customers;
- Setting Loan to Value limits for asset backed loans/financing (i.e.,exchange traded shares & other collateral);
- Watch-list processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and.
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

The GPMCP/ 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, review watch list reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

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

All loans, financing and advances are categorised as either:

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

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

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

(a) where the principal or interest/profit or both[3] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.

(c) for loans with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to Group's Credit Risk Rating Framework. Notwithstanding that, these loans shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.

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

5.1.2 Methodology for Determination of Individual and Collective Allowances

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

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event (s) and an assessment of impairment:

(a) Trigger management

In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets

Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

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

[3] 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.

Table 5.1: Distribution of gross credit exposures by sector

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

Reporting date: 31 March 2013	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education, Health and Others RM'000	Household RM'000	Others RM'000	Total RM'000
On Balance Sheet Exposures														
Sovereigns/ Central Banks	-	-	-	-	-	-	-	204,952	-	-	-	-	-	204,952
Banks, DFIs & MDBs	-	-	-	-	-	-	-	547,285	-	-	-	-	-	547,285
Corporates	5,874	-	5,576	-	-	3,951	-	-	23,654	135,109	1,655	809,851	6,606	992,276
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	33,086	-	33,086
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	14,211	14,211
Other Assets	185	82	213	31	382	309	56	208,616	312	339,036	-	492,727	294	1,042,243
Equity	-	-	-	-	-	-	-	-	-	-	-	-	16,135	16,135
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	788	248	-	1,036
Total On-Balance Sheet Exposures	**6,059**	**82**	**5,789**	**31**	**382**	**4,260**	**56**	**960,853**	**23,966**	**474,145**	**2,443**	**1,335,912**	**37,246**	**2,851,224**
Off-Balance Sheet Exposures														
Off-balance sheet exposures other than OTC derivatives or credit derivatives	514	-	-	-	82,256	12	-	101	360	51,074	9,623	42,482	1,473	187,895
Total for Off-Balance Sheet Exposures	**514**	**-**	**-**	**-**	**82,256**	**12**	**-**	**101**	**360**	**51,074**	**9,623**	**42,482**	**1,473**	**187,895**
Total On and Off-Balance Sheet Exposures	**6,573**	**82**	**5,789**	**31**	**82,638**	**4,272**	**56**	**960,954**	**24,326**	**525,219**	**12,066**	**1,378,394**	**38,719**	**3,039,119**

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

	Reporting date: 31 March 2012											
	Primary Agriculture RM'000	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail Trade, Restaurant and Hotel RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education, Health and Others RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On-Balance Sheet Exposures												
Sovereigns/ Central Banks	-	-	-	-	-	12,239			-	-	-	12,239
Banks, DFIs & MDBs	-	-	-	-	-	565,294			-	-	-	565,294
Corporates	4,856	851	-	-	3,096	702	3,456	45,486	1,101	502,988	11,179	573,715
Regulatory Retail	-	-	-	-	-	-			-	39,824	-	39,824
Higher Risk Assets	-	-	-	-	-	-			-	-	14,310	14,310
Other Assets	284	2,350	103	170	864	705,888	-	295,037	46	213,380	227	1,218,349
Equity	-	-	-	-	-	-			-	-	11,337	11,337
Defaulted Exposures	-	-	-	-	-	-			-	450	-	450
Total On-Balance Sheet Exposures	**5,140**	**3,201**	**103**	**170**	**3,960**	**1,284,123**	**3,456**	**340,523**	**1,147**	**756,642**	**37,053**	**2,435,518**
Off-Balance Sheet Exposures												
Off-balance sheet exposures other than OTC derivatives or credit derivatives	239	86	-	94,463	40	-	36,446	84,051	729	35,693	398	252,145
Defaulted Exposures	-	-	-	-	-	-			461	-	-	461
Total for Off-Balance Sheet Exposures	**239**	**86**	**-**	**94,463**	**40**	**-**	**36,446**	**84,051**	**1,190**	**35,693**	**398**	**252,606**
Total On and Off-Balance Sheet Exposures	**5,379**	**3,287**	**103**	**94,633**	**4,000**	**1,284,123**	**39,902**	**424,574**	**2,337**	**792,335**	**37,451**	**2,688,124**

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

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

31 March 2013	Business Activities RM'000	Household RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	3,500	354	-	3,854
Individual allowance	2,712	119	-	2,831
Collective allowance	-	-	3,664	3,664
Charges for individual allowance	370	360	-	730
31 March 2012				
Impaired loans, advances and financing	3,870	684	-	4,554
Individual allowance	3,082	479	-	3,561
Collective allowance	-	-	4,116	4,116
Charges for individual allowance	825	388	-	1,213
Write-offs against individual allowance	-	138	-	138

The comparatives for collective assessment allowance and charges for individual allowances have been restated for the effects of the change in accounting policy on collective assessment allowance for loans, advances and financing during the financial year. Details of the restatement are as set out in Note 48 to the financial statements.

Table 5.3: Geographical distribution of credit exposures

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

	Reporting date: 31 March 2013		
	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/ Central Banks	204,952	-	204,952
Banks, DFIs and MDBs	531,037	16,248	547,285
Corporates	992,276	-	992,276
Regulatory Retail	33,086	-	33,086
Higher Risk Assets	14,088	123	14,211
Other Assets	691,443	350,800	1,042,243
Equity	16,135	-	16,135
Defaulted Exposures	1,036	-	1,036
Total On-Balance Sheet Exposures	2,484,053	367,171	2,851,224
Off-Balance Sheet Exposures			
Off-balance sheet exposures other than OTC derivatives or credit derivatives	187,894	1	187,895
Total for Off-Balance Sheet Exposures	187,894	1	187,895
Total On and Off-Balance Sheet Exposures	**2,671,947**	**367,172**	**3,039,119**

	Reporting date: 31 March 2012		
	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/ Central Banks	12,239	-	12,239
Banks, DFIs and MDBs	535,930	29,364	565,294
Corporates	294,315	279,400	573,715
Regulatory Retail	39,824	-	39,824
Higher Risk Assets	14,188	122	14,310
Other Assets	1,206,349	12,000	1,218,349
Equity	11,337	-	11,337
Defaulted Exposures	450	-	450
Total On-Balance Sheet Exposures	2,114,632	320,886	2,435,518
Off-Balance Sheet Exposures			
Off-balance sheet exposures other than OTC derivatives or credit derivatives	252,144	1	252,145
Defaulted Exposures	461	-	461
Total for Off-Balance Sheet Exposures	252,605	1	252,606
Total On and Off-Balance Sheet Exposures	**2,367,237**	**320,887**	**2,688,124**

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

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

31 March 2013	Inside Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	3,854	-	3,854
Individual allowance	2,831	-	2,831
Collective allowance	3,664	-	3,664
31 March 2012			
Impaired loans, advances & financing	4,554	-	4,554
Individual allowance	3,561	-	3,561
Collective allowance	4,116	-	4,116

The comparatives for collective assessment allowance have been restated for the effects of the change in accounting policy on collective assessment allowance for loans, advances and financing during the financial year. Details of the restatement are as set out in Note 48 to the financial statements.

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

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

Reporting date: 31 March 2013	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/ Central Banks	-	190,809	-	-	-	-	-	14,143	204,952
Banks, DFIs & MDBs	543,938	-	-	-	-	-	3,347	-	547,285
Corporates	401,744	171,858	259,349	111,395	2,220	41,581	2,747	1,382	992,276
Regulatory Retail	2	-	156	363	1,583	30,982	-	-	33,086
Higher Risk Assets	-	-	-	-	-	-	2,200	12,011	14,211
Other Assets	1,007,711	-	-	-	-	-	165	34,367	1,042,243
Equity	-	-	-	-	-	-	-	16,135	16,135
Defaulted Exposures	788	-	-	191	-	57	-	-	1,036
Total On-Balance Sheet Exposures	1,954,183	362,667	259,505	111,949	3,803	72,620	8,459	78,038	2,851,224
Off-Balance Sheet Exposures									
Off-balance sheet exposures other than OTC derivatives or credit derivatives	52,910	1,964	7,524	1,588	497	123,312	-	100	187,895
Total for Off-Balance Sheet Exposures	52,910	1,964	7,524	1,588	497	123,312	-	100	187,895
Total On and Off-Balance Sheet Exposures	2,007,093	364,631	267,029	113,537	4,300	195,932	8,459	78,138	3,039,119

Reporting date: 31 March 2012	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/ Central Banks	-	-	-	-	-	-	-	12,239	12,239
Banks, DFIs & MDBs	560,156	1,816	-	-	-	-	3,322	-	565,294
Corporates	222,891	56,729	134,706	125,799	952	29,761	-	2,877	573,715
Regulatory Retail	175	2	34	687	975	34,154	3,797	-	39,824
Higher Risk Assets	-	-	-	-	-	-	2,200	12,110	14,310
Other Assets	1,139,115	-	-	8,230	-	-	165	70,839	1,218,349
Securitisation	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	11,337	11,337
Defaulted Exposures	93	-	-	207	150	-	-	-	450
Total On-Balance Sheet Exposures	1,922,430	58,547	134,740	134,923	2,077	63,915	9,484	109,402	2,435,518
Off-Balance Sheet Exposures									
Off-balance sheet exposures other than OTC derivatives or credit derivatives	135	1,449	3,027	53,831	36,714	131,080	25,909	-	252,145
Defaulted Exposures	-	-	-	-	-	-	461	-	461
Total for Off-Balance Sheet Exposures	135	1,449	3,027	53,831	36,714	131,080	26,370	-	252,606
Total On and Off-Balance Sheet Exposures	1,922,565	59,996	137,767	188,754	38,791	194,995	35,854	109,402	2,688,124

Table 5.6: Reconciliation of changes to loans impairment allowances

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

	Reporting date: 31 March 2013	
	Individual impairment alowances RM'000	**Collective impairment allowances RM'000**
Balance at 1 April	3,561	4,116
Charge for the year – net	(730)	(450)
Exchange differences	-	(2)
Balance at 31 March	2,831	3,664

	(Charge offs)/ recoveries RM'000
Bad debts written off during the year	-
Bad debt recoveries during the year	-

	Reporting date: 31 March 2012	
	Individual impairment alowances RM'000	**Collective impairment allowances RM'000**
Balance at 1 April	4,912	3,946
Charge for the year – net	(1,213)	195
Amount written-off	(138)	(25)
Balance at 31 March	3,561	4,116

	(Charge offs)/ recoveries RM'000
Bad debts written off during the year	-
Bad debt recoveries during the year	2

6.0 Credit Risk Exposure under 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 allowed:

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

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

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

2013

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000	RM'000	RM'000
0%	204,952	-	-	-	-	-	14	-	204,966	-
20%	-	547,285	-	26,650	-	-	24,841	-	598,776	119,755
50%	-	-	-	56,394	-	-	-	-	56,394	28,197
75%	-	-	-	-	7,379	-	-	-	7,379	5,534
100%	-	-	-	279,245	139	-	1,017,388	16,135	1,312,907	1,312,907
150%	-	-	-	-	-	14,211	-	-	14,211	21,317
Average Risk Weight									-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	
Total	204,952	547,285	-	362,289	7,518	14,211	1,042,243	16,135	2,194,633	1,487,710

2012

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000	RM'000	RM'000
0%	12,239	-	-	-	-	-	14	-	12,253	-
20%	-	564,617	-	-	-	-	302,862	-	867,479	173,496
50%	-	677	-	67,813	-	-	-	-	68,490	34,245
75%	-	-	-	-	8,165	-	-	-	8,165	6,124
100%	-	-	26,650	264,123	326	-	915,473	11,337	1,217,909	1,217,909
150%	-	-	-	461	150	14,310	-	-	14,921	22,382
Average Risk Weight									-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	
Total	12,239	565,294	26,650	332,397	8,641	14,310	1,218,349	11,337	2,189,217	1,454,156

Table 6.2: Rated Exposures according to Ratings by ECAIs

2013
Group

EXPOSURE CLASS	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures Credit Exposures						
Corporates	**1,169,987**	-	3,052	-	-	1,166,935
Total	**1,169,987**	-	3,052	-	-	1,166,935

2012
Group

EXPOSURE CLASS	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures Credit Exposures						
Insurance Cos., Securities Firms & Fund managers	**26,650**	-	-	-	-	26,650
Corporates	**332,396**	714	742	-	-	330,940
Total	**359,046**	714.00	742.00	-	-	357,590

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

2013
Group

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	**204,952**	-	204,952	-	-	-	-
Total	**204,952**	**-**	**204,952**	**-**	**-**	**-**	**-**

2012
Group

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	**12,239**	-	12,239	-	-	-	-
Total	**12,239**	**-**	**12,239**	**-**	**-**	**-**	**-**

2013
Group

Exposure Class	Ratings of Bankings Instututions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs	**547,285**	-	1,850	325,680	-	-	219,755
Total	**547,285**	**-**	**1,850**	**325,680**	**-**	**-**	**219,755**

2012
Group

Exposure Class	Ratings of Bankings Instututions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs	**565,294**	-	2,063	286,156	-	-	277,075
Total	**565,294**	**-**	**2,063**	**286,156**	**-**	**-**	**277,075**

Table 6.3: Securitisation according to Ratings by ECAIs

2013
Group

EXPOSURE CLASS	Ratings of Securitasations by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Securitisation	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

2013
Group

EXPOSURE CLASS	Short Term Ratings of Securitisation by Approved ECAIs				
	Moodys	P-1	P-2	P-3	Others or Unrated
	S&P	A-1	A-2	A-3	Others or Unrated
	Fitch	F1+, F1	F2	F3	Others or Unrated
	RAM	P-1	P-2	P-3	NP
	MARC	MARC-1	MARC-2	MARC-3	MARC-4
	Rating & Investment Inc.	a-1+, a-1	a-2	a-3	b, c
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Securitisation	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

2012
Group

EXPOSURE CLASS	Ratings of Securitasations by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Securitisation	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

2012
Group

EXPOSURE CLASS	Short Term Ratings of Securitisation by Approved ECAIs				
	Moodys	P-1	P-2	P-3	Others or Unrated
	S&P	A-1	A-2	A-3	Others or Unrated
	Fitch	F1+, F1	F2	F3	Others or Unrated
	RAM	P-1	P-2	P-3	NP
	MARC	MARC-1	MARC-2	MARC-3	MARC-4
	Rating & Investment Inc.	a-1+, a-1	a-2	a-3	b, c
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Securitisation	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

Note: All securitisations are for periods exceeding 12 months.

7.0 Credit Risk Mitigation

Main types of collateral taken by the Group

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations. Types of collateral typically taken by the Bank include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/ sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)

Where the customer risk profile is considered very sound, a transaction may be provided on an “unsecured” basis, i.e., not be supported by collateral.

The Bank has internal policy to determine the criteria for acceptable financial asset as collateral. This is to ensure the collateral can be liquidated in a timely manner if required.

Processes for collateral management

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

Guarantee Support

Currently, the Group does not use guarantee support for risk mitigation.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

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

Concentrations of credit risk mitigation

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

The main types of collateral undertaken by the Bank are exchange traded shares and unit trusts.

Table 7.1: Credit Risk Mitigation

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

2013
Group

Exposures	Exposures before CRM	Exposures covered by Eligible Financial Collateral
Credit Risk	**RM'000**	**RM'000**
On-Balance Sheet Exposures		
Sovereigns/Central Banks	204,952	-
Bank, DFIs & MDBs	547,285	-
Corporates	992,276	877,666
Regulatory Retail	33,086	37,510
Higher Risk Assets	14,211	-
Equity Exposures	16,135	-
Other Assets	1,042,243	-
Defaulted Exposures	1,036	109
Total On-Balance Sheet Exposures	**2,851,224**	**915,285**
Off-Balance Sheet Exposures		
Off-balance sheet exposures other than OTC derivatives or credit derivatives	187,895	-
Total for Off-Balance Sheet Exposures	187,895	-
Total On and Off-Balance Sheet Exposures	**3,039,119**	**915,285**

2012
Group

Exposures	Exposures before CRM	Exposures covered by Eligible Financial Collateral
Credit Risk	**RM'000**	**RM'000**
On-Balance Sheet Exposures		
Sovereigns/Central Banks	12,239	-
Bank, DFIs & MDBs	565,294	-
Corporates	573,715	491,240
Regulatory Retail	39,824	44,237
Higher Risk Assets	14,310	-
Equity Exposures	11,337	-
Other Assets	1,218,349	-
Defaulted Exposures	450	300
Total On-Balance Sheet Exposures	**2,435,518**	**535,777**
Off-Balance Sheet Exposures		
Off-balance sheet exposures other than OTC derivatives or credit derivatives	252,145	-
Defaulted Exposures	461	-
Total for Off-Balance Sheet Exposures	252,606	-
Total On and Off-Balance Sheet Exposures	**2,688,124**	**535,777**

8.0 Off-Balance Sheet exposures and Counterparty Credit Risk ("CCR")

8.1 Off-Balance Sheet exposures

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

(1) Credit related exposures, e.g. guarantees given on behalf of customers, underwriting liabilities and irrevocable commitment to extend credit

(2) Derivatives Financial Instruments, e.g. foreign exchange related contract (forwards exchange contracts), equity related contracts (futures and contract for differences).

(3) Other treasury-related exposures, e.g. forward purchase commitment

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

8.2 Counterparty Credit Risk

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

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

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

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.

- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

- Variation to the above generic methodology is allowed for specific product.

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

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

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

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

Table 8.1 Off-Balance Sheet Exposures

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

	2013			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	130,205	-	130,205	82,607
Assets sold with recourse	100	-	100	100
Foreign exchange related contracts				
One year or less	3,977	-		
Equity related contracts				
One year or less	5,822	7	1	1
Over five years	21	2		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	-	9	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	287,902	-	57,580	7,294
Total	**428,046**	**9**	**187,895**	**90,009**

	2012			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	181,890	-	181,890	147,984
Obligations under an on-going underwriting agreement	148,100			
Foreign exchange related contracts				
One year or less	1,293	1	-	-
Equity related contracts				
One year or less	30,429	86	1	1
Over five years	20			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	175	-	88	66
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	353,134	-	70,627	31,371
Total	**715,041**	**87**	**252,606**	**179,422**

Table 8.2 : Credit Derivatives Counterparty Credit Risk (“CCR”)

As at the balance sheet date, the Group does not have any credit derivatives.

9.0 Securitisation

9.1 Definition of Securitisation

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

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

- Traditional securitisations involve the transfer of ownership via equitable assignment of the underlying asset pool into a Special Purpose Vehicle ("SPV") which finances the purchase by issuing debt instruments to investors. The debt securities are commonly referred to as Asset-Backed Securities ("ABS").
- Synthetic securitisations also transfer the credit risk of an underlying pool of assets to third parties. However, legal ownership of the assets remains with the originator.

9.2 Objectives, roles and involvement

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

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

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

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

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

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

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

9.2.2 Governance

The Debt Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

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

9.2.3 Risk measurement and reporting of securitisation exposures

The Group relies on the external rating assigned by recognised external credit assessment institution in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pools on an ongoing basis e.g. 30/60/90 day past due, default rates, prepayment rates & etc to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.2.4 SPV used in securitisation exercises

For all traditional securitisation transactions where the Group entity acts as the sponsor[4], such transactions will be structured to comply with the Securities Commission's Guidelines on the Offering of Asset-Backed Securities ("ABS Guidelines") and, where applicable, the BNM's Prudential Standards on Securitisation Transactions. The SPVs used and to be used by the Group entity will comply with the requirements of the ABS Guidelines.

Third party exposures that have been securitised via such SPVs include civil servant and government-linked company staff housing loans and unsecured personal loans granted to members of co-operatives.

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

9.2.5 Accounting Policies for Securitisation

Securitisation of the Group originated assets
For accounting purposes, the Group consolidates SPVs when the substance of the relationship indicates that the Group controls them. In assessing control, all relevant factors are considered, including qualitative and quantitative aspects. For example:

Qualitative factors – in substance:

- the activities of the SPV are being conducted on behalf of the Group according to the Group's specific business needs so that it obtains benefit from the SPV's operation. This might be evidenced, for example, by the Group providing a significant level of support to the SPV; and
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPV.

Quantitative factors – hereinafter referred to as 'the majority of risks and rewards of ownership'. In substance:

- The Group has rights to obtain the majority of the benefits of the SPV and therefore may be exposed to risks incidental to the activities of the SPV; and
- The Group retains the majority of the residual or ownership risks related to the SPV or its assets in order to obtain benefits from its activities.

The Group reassesses the required consolidation accounting tests whenever there is a change in the substance of the relationship between the Group entity and an SPV, for example, when the nature of the Group entity's involvement or the governing rules, contractual arrangements or capital structure of the SPV change.

The transfer of assets to an SPV may give rise to the full or partial derecognition of the financial assets concerned. Only in the event that derecognition is achieved are sales and any resultant gains on sales recognised in the financial statements. In a traditional securitisation, assets are sold to an SPV and no gain or loss on sale is recognised at inception.

Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the assets, and transfers substantially all the risks and rewards of ownership. The risks include credit, interest rate, currency, prepayment and other price risks.

Partial derecognition occurs when the Group sells or otherwise transfers financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of the Group 's continuing involvement.

Loans/financing, credit cards, debt securities and trade receivables that have been securitised under arrangements by which the Group retains a continuing involvement in such transferred assets do not generally qualify for derecognition. Continuing involvement may entail retaining the rights to future cash flows arising from the assets after investors have received their contractual terms (for example, interest rate strips); providing subordinated interest; liquidity support; continuing to service the underlying asset; or entering into derivative transactions with the securitisation vehicles. As such, the Group continues to be exposed to risks associated with these transactions.

Where assets have been derecognised in whole or in part, the rights and obligations that The Group retains from its continuing involvement in securitisations are initially recorded as an allocation of the fair value of the financial asset between the part that is derecognised and the part that continues to be recognised on the date of transfer.

Securitisation in the management of the Group's credit portfolio – For risk mitigation using synthetic securitisation, the underlying assets remain on the Group's balance sheet for accounting purposes. The accounting treatment of the assets will depend on their nature. They could include loans/financing and receivables, available for sale securities or derivatives. The most common form of synthetic securitisation is via a credit default swap, which is treated as a derivative and recognised in the profit and loss statement at fair value.

For investment in securitisation exposures, if the instrument includes a credit default swap, the exposure will be fair valued through the profit and loss statement. Other securitisation exposures will be fair valued through the balance sheet unless The Group makes an election at the time of purchase to fair value through profit or loss.

Provision of securitisation services including funding and management of conduit vehicles – In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty. Fee income from these services is recognised on an accrual basis. Liquidity and funding facilities are treated as commitments to provide finance, with fee and margin income recognised on an accrual basis. Warehouse and term funding facilities are treated as loans.

9.2.6 Use of external rating agencies

The Group uses the services of both RAM Rating Services Berhad and Malaysian Rating Corporation Berhad and where applicable, international rating agencies for securitisation transactions purposes.

10.0 Operational Risk

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

Identification	• Identify and analyse risk in key processes/ activities within Line of Business (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators
Control/ Mitigation	• Policies addressing control & governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type • Periodic review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes legal risk and Shariah compliance risk (Please refer to Chapter 14 for discussion on Shariah Governance). It excludes strategic, systemic and reputational risk.

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

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

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

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

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

The ultimate authority for all operational risk management matters is delegated by the Board of Directors to the CEO Committee. It is in turn, supported by the GOLRC/ Group CEOs Committee an executive committee which comprises senior management members of various business divisions and support units, Group Chief Risk Officer and Head of Operational Risk. The RMCD, CEO Committee and the GOLRC/ Group CEOs Committee are the main reporting and escalation committees for operational risk matters. These matters include significant operational risk incidences or findings, deliberations on regulatory and supervisory changes and their impact on operational risk and deliberation and endorsement of operational risk mitigation measures and risk management strategies.

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

10.1 Business Continuity Management

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

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

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

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

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

10.2 Legal Risk

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

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

11.0 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR"). For Islamic products and activities, the Shariah compliance risk is also assessed and monitored (please refer to Section 14 for discussion on Shariah Governance).

11.1 Traded Market Risk ("TMR")

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

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• Value-at-risk ("VaR") • Profit-at-Risk ("PaR") • Capital-at-Risk ("CaR") • Other Detailed Management Controls
Controls/ Mitigation	• VaR Limits • PaR Limits • CaR Limit • Loss Limits (Annual/ Monhtly/ Daily) • Concentration Limits • Greeks Limits (Delta/ Gamma/ Delta-Gamma/ Vega/ Theta) • Present Value of One Basis Point ("PV01") • Stealth Limits • Position Size Limits • Maximum Holding Period • Maximum Tenure Limits • Permitted Instruments/ Currencies/ Countries
Monitoring/ Review	• Monitor limits • Periodical review and reporting

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

VaR, PaR, CaR and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold (i.e. Annual Loss Limit). Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

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

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

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

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

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

12.0 Equities (Banking Book Positions)

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

- Equity investments that are taken for strategic and other objectives – Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board of Directors' approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

- Equity investments on which capital gains are expected – These transactions are for proprietary trading.

- Equity investments made as the result of a work out of a problem exposure – From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

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

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

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

Table 12.1: Equity investments and capital requirement

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

Non traded equity investments	2013	2012
	RM'000	RM'000
Value of quoted (publicly traded) equities	16,135	11,111
Value of unquoted (privately held) equities	14,111	14,110
Total	30,246	25,221
Net realised and unrealised gains/(losses)		
Cumulative realised gains/(losses) from sales and liquidations	220	1,206
Total unrealised gains/(losses)	825	(1,013)
Total	1,045	193
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	16,135	11,111
Equity investments subject to a 150% risk weight	21,167	21,165
Total	37,302	32,276
Total minimum capital requirement (8%)	2,984	2,582

13.0 Non-Traded Market Risk ("NTMR")

13.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify interest rate/profit rate risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR")
Control/ Mitigation	• VaR Limit • EaR Limit.
Monitoring/ Review	• Monitor limits • Periodical review and reporting

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

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

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

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

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

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

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

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

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

Table 13.1 : Interest Rate Risk / Rate of Return Risk in the Banking Book (IRR / RORBB)

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

Impact on Profit or Loss

	2013		2012	
Currency	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**
MYR	**4,391**	**(4,391)**	**6,098**	**(6,098)**

Impact on Equity

	2013		2012	
Currency	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**
MYR	**(2,144)**	**2,619**	**720**	**(699)**

Note:
The sensitivity above excluded non interest sensitive items. The Group manages interest rate risk in the banking book by including all asset and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

13.2 Liquidity and Funding Risk

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

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

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

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

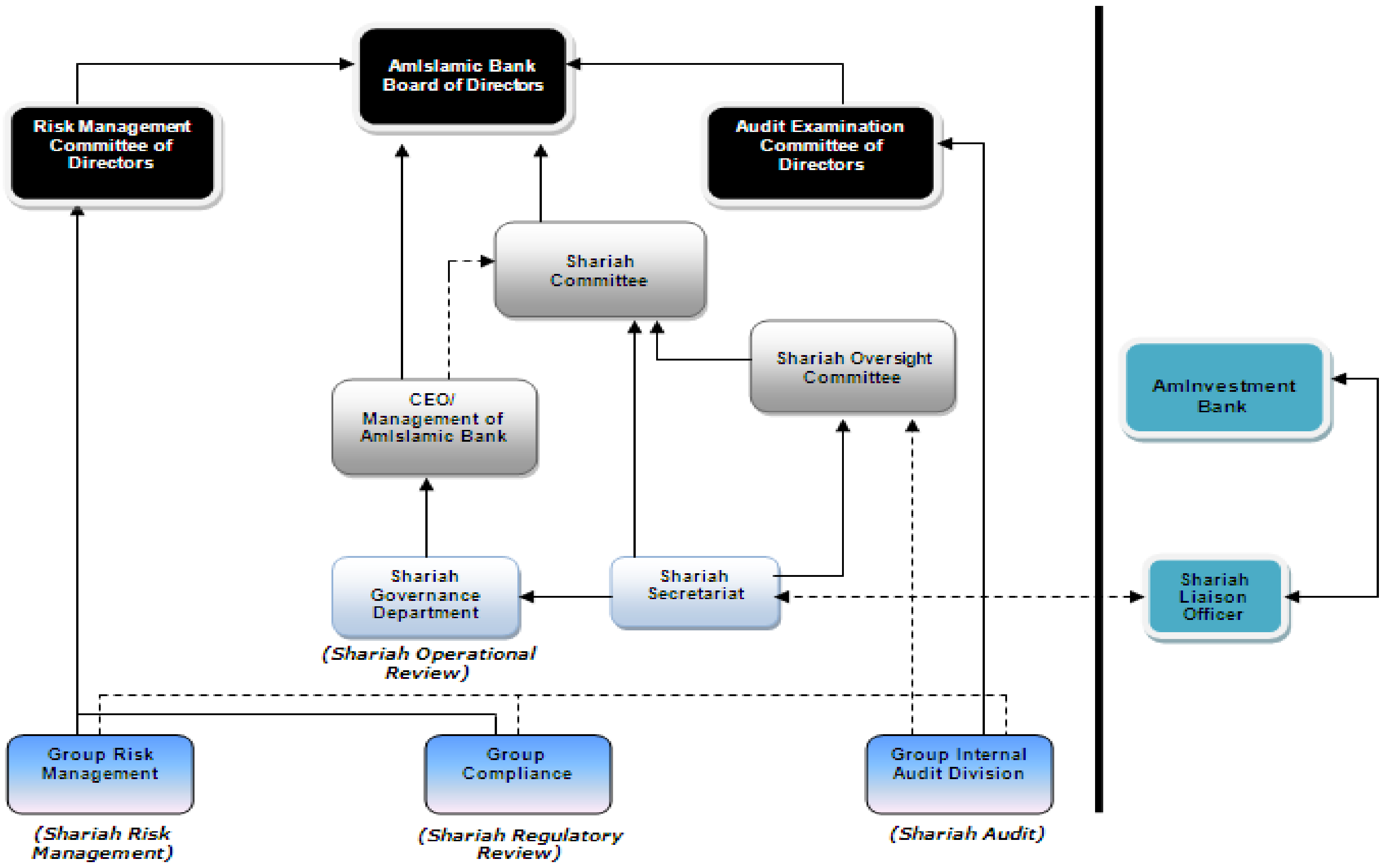
Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

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

Given the universal banking model of the Group, the centralisation of treasury functions and deposit gathering within AmBank (M) Berhad ("AmBank"), a related company and the Bank, the adjusted LDR is not relevant to the activities undertaken by the Bank. The Bank is predominantly funded via AmBank and thus its liquidity risks are captured within AmBank's liquidity risk metrics.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is putting in place the measurement mechanism and strategizing for ensuring availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

14.0 Shariah Governance Structure



A Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking operations, which includes establishment of the Shariah Committee for AmIslamic Bank ("The Bank") in line with the requirement of Bank Negara Malaysia's "Shariah Governance Framework for Islamic Financial Institutions". The Bank has continued to enhance its overall Shariah governance in line with the regulatory policies as a prudential measure.

Board of Directors

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

Audit Examination Committee

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

Risk Management Committee of Directors

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

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, and the operations in relation to Islamic Banking. The Shariah Committee reports functionally to AmIslamic Bank's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee performs an oversight function for the key Shariah functions of Shariah review, Shariah audit, and Shariah risk management. Shariah Oversight Committee shall provide guidance and advice on matters pertaining to Shariah non-compliant incidents as well as treatment of Shariah non-compliant income (if any).

Chief Executive Officer / Management

The Chief Executive Officer (CEO) / Management is responsible to make reference to the Shariah Committee / Shariah Oversight Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee/ Shariah Oversight Committee's advice and decisions. The CEO / Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance framework. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah risk.

Shariah Governance Department

The Shariah Governance Department operates as a one-stop centre for all Shariah related operational issues of Islamic businesses. This includes providing day-to-day Shariah advisory and support function, Shariah operational review, Shariah research, and as Secretariat to the Shariah Committee and Shariah Oversight Committee. In addition, the Shariah Governance Department also performs the zakat and charity management.

Group Internal Audit Division

A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations through Shariah audit function. Areas of audit include documentation, adequacy of internal controls, systems and computation, and staff competency.

Group Compliance Department

Group Compliance Department undertakes the Shariah compliance review from a regulatory perspective. This will be executed based on the Shariah Regulatory Review Framework, which consists of the Compliance Monitoring & Reporting (CMR) and Shariah Compliance Review. CMR is a periodical self-assessment by the Departments via a structured process and Compliance Review is performed to review on department's compliance with Shariah requirements and effectiveness of the self-assessment performed.

Group Risk Management Department

Group Risk Management Department provides the infrastructure and platform to facilitate Shariah risk management function within the Group. This includes identification, measurement, monitoring, and control of Shariah risk to mitigate any occurrence of Shariah non-compliance incidences.

14.1 Shariah non-compliant income

All business activities, products and services offered, and legal documentations are implemented and executed based on legal provisions and Shariah requirements to ensure no occurrence of Shariah non-compliant incidents. In the event of any Shariah non-compliant incident, the Shariah Oversight Committee will deliberate and make recommendation for the Shariah Committee's approval. The Shariah Oversight Committee is responsible to oversee the management and distribution of the charity fund.