AmIslamic Bank Berhad

Pillar 3 Disclosures

For the Financial Period
1 April 2014 to 30 September 2014

CAFIB - Pillar 3 Disclosures
30 September 2014

Table of Contents **Page**

1.0 Scope of Application

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

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

These Pillar 3 disclosures of the Bank is available on the Bank's corporate website at www.ambankgroup.com.

Capital Adequacy Ratios

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

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

1.0 Scope of Application (Contd.)

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

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

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

2.0 Capital Management

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

2.0 Capital Management (Contd.)

The capital plan takes the following into account:

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

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

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

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

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

2.0 Capital Management (Contd.)

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

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

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

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

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

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

2.0 Capital Management (Contd.)

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

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

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	30 September 2014	31 March 2014
Before deducting proposed dividends:		
Common Equity Tier 1 Capital ratio	9.303%	9.830%
Tier 1 capital ratio	9.303%	9.830%
Total capital ratio	15.076%	15.807%
After deducting proposed dividends:		
Common Equity Tier 1 Capital ratio	9.155%	9.203%
Tier 1 capital ratio	9.155%	9.203%
Total capital ratio	14.928%	15.180%

On 28 December 2012, as part of an arrangement between AmBank (M) Berhad ("AmBank") and the Bank in relation to a Restricted Profit Sharing Investment Account ("PSIA") agreement, AmBank records as deposits and placements with banks and other financial institutions its exposure in the arrangement, whereas the Bank records its exposure as financing and advances. The PSIA is a contract based on Shariah concept of Mudarabah between AmBank and the Bank to finance a specific business venture whereby AmBank solely provides capital and the business ventures are managed solely by the Bank as the entrepreneur. The PSIA exposes AmBank to the risks and rewards of the financing, and accordingly AmBank accounts for all impairment allowances and risk weighted assets arising from the PSIA financing. The contract had expired on 2 May 2014.

Table 2.2: Risk Weighted Assets and Capital Requirements

The breakdown of risk weighted assets ("RWA") by exposures in major risk category of the Bank is as follows:

30 September 2014

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		5,315,286	5,315,286	-	-	-	-
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		2,108,889	2,108,889	417,886	-	417,886	33,431
Corporates		12,245,255	11,987,873	9,915,628	-	9,915,628	793,250
Regulatory Retail		13,701,263	13,688,743	10,467,124	-	10,467,124	837,370
Residential Mortgages		124,008	123,991	43,476	-	43,476	3,477
Higher Risk Assets		-	-	-	-	-	-
Other Assets		251,006	251,006	251,006	-	251,006	20,081
Defaulted Exposures		257,989	255,108	327,494	-	327,494	26,200
Total for On-Balance Sheet Exposures		**34,003,696**	**33,730,896**	**21,422,614**	**-**	**21,422,614**	**1,713,809**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		72,448	72,448	41,688	-	41,688	3,335
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		2,047,143	1,914,659	1,825,595	-	1,825,595	146,048
Defaulted Exposures		7,741	7,741	11,611	-	11,611	928
Total for Off-Balance Sheet Exposures		**2,127,332**	**1,994,848**	**1,878,894**	**-**	**1,878,894**	**150,311**
Total On and Off-Balance Sheet Exposures		**36,131,028**	**35,725,744**	**23,301,508**	**-**	**23,301,508**	**1,864,120**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General profit rate risk	1,290,106	1,074,512		105,614	-	105,614	8,449
- Specific profit rate risk	266,672	51,110		9,641	-	9,641	771
Foreign Currency Risk	7,372	-		7,372	-	7,372	590
Total	**1,564,150**	**1,125,622**		**122,627**	**-**	**122,627**	**9,810**
4. **Operational Risk**				1,540,321	-	1,540,321	123,226
5. **Total RWA and Capital Requirements**				24,964,456	-	24,964,456	1,997,156

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

The breakdown of risk weighted assets ("RWA") by exposures in major risk category of the Bank are as follows:

31 March 2014

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		6,696,281	6,696,281	-	-	-	-
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		2,467,105	2,467,105	656,193	-	656,193	52,495
Corporates		12,464,229	12,061,855	9,593,137	450,133	9,143,004	731,440
Regulatory Retail		13,363,958	13,351,249	10,211,982	-	10,211,982	816,958
Residential Mortgages		130,614	130,597	45,851	-	45,851	3,668
Other Assets		234,411	234,411	234,411	-	234,411	18,753
Defaulted Exposures		216,258	213,480	264,644	-	264,644	21,172
Total for On-Balance Sheet Exposures		**35,572,856**	**35,154,978**	**21,006,218**	**450,133**	**20,556,085**	**1,644,486**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		48,718	48,718	31,638	-	31,638	2,531
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		1,951,044	1,804,168	1,735,157	-	1,735,157	138,813
Defaulted Exposures		88	86	129	-	129	10
Total for Off-Balance Sheet Exposures		**1,999,850**	**1,852,972**	**1,766,924**	**-**	**1,766,924**	**141,354**
Total On and Off-Balance Sheet Exposures		**37,572,706**	**37,007,950**	**22,773,142**	**450,133**	**22,323,009**	**1,785,840**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General profit rate risk	1,364,685	1,104,465		30,265	-	30,265	2,421
- Specific profit rate risk	260,195	-		11,588	-	11,588	927
Foreign Currency Risk	26,878	272		26,878	-	26,878	2,150
Total	**1,651,758**	**1,104,737**		**68,731**	**-**	**68,731**	**5,498**
4. **Operational Risk**				1,515,669	-	1,515,669	121,254
5. **Total RWA and Capital Requirements**				24,357,542	450,133	23,907,409	1,912,592

3.0 Capital Structure

Table 3.2 Capital Structure summarises the capital position of the Bank. Under Basel III, the capital structure of the Bank includes capital under the following headings:

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

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The existing Tier 2 Capital instruments of the Bank do not meet all qualifying criteria for full recognition of capital instruments under the Basel III accord, on the requirements for loss absorbency at the point of non-viability, and write-off or conversion mechanisms for achieving principal loss absorption and/ or loss absorbency at the point of non-viability. The Bank's Tier 2 Capital instruments qualify for the gradual phase-out treatment under the transitional arrangements of the Basel III accord. Under this treatment, the amount of capital instruments that can be recognized by the Bank shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital (if any) and Tier 2 Capital respectively), with the cap reducing by 10% in each subsequent year. To the extent that an instrument is redeemed or derecognized after 1 January 2013, the amount serving as the base is not reduced.

3.1 Common Equity Tier 1 Capital

Common Equity Tier 1 Capital consists of the following:

Paid-up Ordinary Share Capital

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

3.1 Tier 1 Capital (Contd.)

Share Premium

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

Retained Earnings

Retained earnings at the end of the financial year/period and eligible reserves are accumulated resources included in the shareholder's funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in Common Equity Tier 1 Capital 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 Capital subject to review/ audit by the external auditors.

Other Disclosed Reserves

Other disclosed reserves comprise the following:

- **Statutory Reserve**

  Statutory reserve is maintained in compliance with the provisions of IBA and is not distributable as cash dividends. When Islamic Financial Services Act ("IFSA") 2013 came into effect to replace the repealed IBA, the maintenance of this reserve is in accordance with Section 57(2) f of the IFSA.

- **Available-for-Sale Reserve**

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 Capital are collective assessment allowance and regulatory reserves (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach) and subordinated debt instruments (Tier 2 Capital Instruments).

The amount of Tier 2 Capital Instruments that can be recognized in the computation of the capital adequacy ratios of the Bank has been capped at 90% of the total qualifying Tier 2 balance outstanding as at 1 January 2013. For 2014, the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 80% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance to the transitional gradual phase-out treatment under the Basel III regime. Table 3.1 outlines the application of the grandfathering provisions in respect of the Tier 2 Capital instruments for the Bank, details of the Tier 2 Capital Instruments are outlined below.

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

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

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

3.3 Tier 2 Capital (Contd.)

Subordinated Sukuk Musharakah

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

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

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

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

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

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

The Bank had repurchased from the market and subsequently cancelled RM200.0 million of the Subordinated Sukuk Musharakah between 19 December 2013 and 20 January 2014. The repurchases were granted prior approval by BNM and represent the portion of the Subordinated Sukuk Musharakah that do not qualify for recognition as Tier 2 Capital in the computation of capital adequacy ratio for the calendar years 2013 and 2014, under the Basel III pronouncements.

3.3 Tier 2 Capital (Contd.)

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, the Bank had implemented a new Subordinated Sukuk Murabahah programme of RM3.0 billion. The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the Bank's total capital position. The programme is set-up in accordance to the requirements spelt out in the CAFIB (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III-compliant.

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

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

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

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

3.3 Tier 2 Capital (Contd.)

Table 3.2: Capital Structure

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

	30 September 2014 RM'000	31 March 2014 RM'000
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	462,922	462,922
Share premium	724,185	724,185
Retained earnings	664,043	698,125
Available-for-sale reserve	(12,015)	(18,442)
Statutory reserve	483,345	483,345
Profit equalisation reserve	2,601	1,260
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(26)	(26)
- Profit equalisation reserve	(2,601)	(1,260)
CET1 Capital	2,322,454	2,350,109
Additional Tier 1 Capital		
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	-	-
Less : Regulatory adjustments applied on Tier 1 Capital	-	-
Tier 1 Capital	2,322,454	2,350,109
Tier 2 Capital		
Tier 2 capital instruments meeting all relevant criteria for inclusion	350,000	350,000
Tier 2 capital instruments (subject to gradual phase-out treatment)	800,000	800,000
Collective allowance and regulatory reserves	291,269	279,038
Less : Regulatory adjustments applied on Tier 2 Capital	-	-
Tier 2 Capital	1,441,269	1,429,038
Total Capital	3,763,723	3,779,147

	30 September 2014 RM'000	31 March 2014 RM'000
Credit RWA	23,301,508	22,773,142
Less : Credit RWA absorbed by PSIA	-	(450,133)
Total Credit RWA	23,301,508	22,323,009
Market RWA	122,627	68,731
Operational RWA	1,540,321	1,515,669
Total Risk Weighted Assets	24,964,456	23,907,409

4.0 General Risk Management

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

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

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

Board Approved Risk Appetite Statement

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

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

We enforce conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Adjusted Financing Deposit Ratio is within 90% range with continually improving current account and savings account ("CASA") deposit composition and market share.

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

4.0 General Risk Management (Contd.)

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

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

Risk Management Governance

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

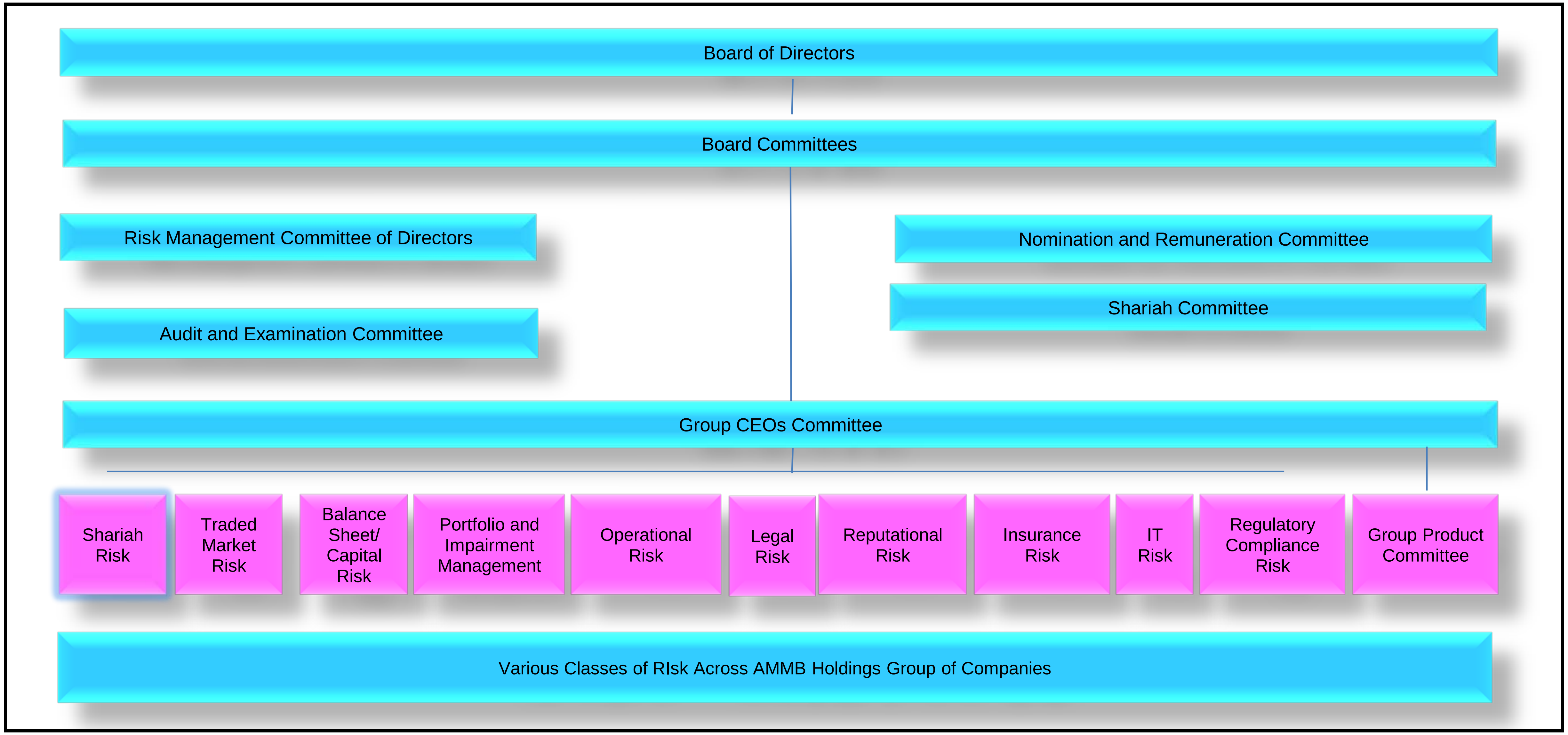
The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the AMMB Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance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

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

4.0 General Risk Management (Contd.)

Risk Management Governance

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



4.0 General Risk Management (Contd.)

Strategic Risk

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

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

Reputational Risk

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

5.0 Credit Risk Management

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/ or positions as well as Shariah compliance risk.

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

For non-retail credits, risk recognition begins with an assessment of the financial standing of the customer or counterparty using a credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of customers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhance pricing models;
- facilitate financing loss provision calculation;
- stress testing; and
- enhance portfolio management.

5.0 Credit Risk Management (Contd.)

Financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Bank's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Bank's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

- concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- setting financing to value limits for asset backed financing (that is, property exposures and other collateral);
- classified account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- setting Benchmark Returns which serve as a guide to the minimum returns the Bank requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority, it will be reported to Executive Committee of Directors ("EXCO"). Portfolio credit risk is reported to the relevant management and board committees.

The Group CEOs Committee regularly meet to review the quality and diversification of the Bank's financing portfolio, approve new and amended credit risk policy, review the portfolio risk profile against the Group Risk Appetite Framework.

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

5.0 Credit Risk Management (Contd.)

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Financing

All financing and advances are categorised as either:

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

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

A financing is classified as impaired under the following circumstances:

(a) When the principal or profit or both is past due[1] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material[2] obligation; or

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

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

(d) A financing may also be classified as impaired:

i. As deemed appropriate by the Watch and Control Committee where it is determined the financing have a high probability of default: or
ii. Cross-default occurs when:
    - a default of a financing obilgation of a customer triggers a default of another financing obligation of the same customer.
    - a default of a financing obligation of a customer triggers a default of a financing obligation of other customers within the same customer group.

The Credit and Commitments Committee (CACC) is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group.

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

2 *Material obligation as determined by Management*

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

5.1 Impairment (Contd.)

5.1.1 Definition of Past Due and Impaired Financing (Contd.)

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

(f) In the case of stock broking and futures broking:

i. For margin lending, it is impaired when there is a shortfall to carrying value i.e difference between the collateral value (if any) and the outstanding balance.

ii. For contra losses, it is impairedwhen the facility is overdue by 30 days.

5.1.2 Methodology for Determination of Individual and Collective Allowances

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

Individual Assessment

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

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

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

Collective Assessment

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

Table 5.1: Distribution of gross credit exposures by sector

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

30 September 2014	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures														
Sovereigns/Central Banks	-	-	-	-	54,659	-	-	4,380,390	-	-	880,237	-	-	5,315,286
Banks, DFIs and MDBs	-	-	-	-	-	-	-	2,108,889	-	-	-	-	-	2,108,889
Corporates	954,026	181,608	2,345,363	151,141	2,605,003	782,743	747,194	1,054,789	2,238,920	490,439	490,529	153,155	50,345	12,245,255
Regulatory Retail	26,279	6,711	53,197	1,499	64,396	47,726	32,008	1,521	9,624	16,951	52,659	13,375,061	13,631	13,701,263
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	124,008	-	124,008
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	251,006	251,006
Defaulted Exposures	197	17	9,166	7	23,137	6,703	3,908	256	31,071	339	930	173,742	8,516	257,989
Total for On Balance Sheet Exposures	980,502	188,336	2,407,726	152,647	2,747,195	837,172	783,110	7,545,845	2,279,615	507,729	1,424,355	13,825,966	323,498	34,003,696
Off-Balance Sheet Exposures														
OTC Derivatives	-	-	47	-	-	1	-	72,400	-	-	-	-	-	72,448
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	109,438	23,874	462,444	32,516	553,306	180,471	75,774	29,773	240,833	60,675	40,506	236,532	1,001	2,047,143
Defaulted Exposures	-	-	11	-	7,721	9	-	-	-	-	-	-	-	7,741
Total for Off-Balance Sheet Exposures	109,438	23,874	462,502	32,516	561,027	180,481	75,774	102,173	240,833	60,675	40,506	236,532	1,001	2,127,332
Total On and Off-Balance Sheet Exposures	**1,089,940**	**212,210**	**2,870,228**	**185,163**	**3,308,222**	**1,017,653**	**858,884**	**7,648,018**	**2,520,448**	**568,404**	**1,464,861**	**14,062,498**	**324,499**	**36,131,028**

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

The distribution of credit exposures by sector of the Bank is as follows (Contd.):

31 March 2014	**Agriculture RM'000**	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale and Retail Trade and Hotel and restaurants RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activity RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On-Balance Sheet Exposures														
Sovereigns/Central Banks	-	-	-	-	53,899	-	-	5,670,892	-	-	671,357	-	300,133	6,696,281
Banks, DFIs and MDBs	-	-	-	-	-	-	-	2,467,105	-	-	-	-	-	2,467,105
Corporates	931,522	64,052	2,250,763	209,693	3,003,810	831,259	906,489	720,258	2,161,546	758,680	393,135	187,512	45,510	12,464,229
Regulatory Retail	34,371	11,844	59,483	1,199	61,452	55,682	28,090	1,569	5,785	18,365	52,546	13,033,572	-	13,363,958
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	130,614	-	130,614
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	234,411	234,411
Defaulted Exposures	642	70	10,361	14	19,748	8,529	4,215	852	1,495	2,334	2,040	165,958	-	216,258
Total for On-Balance Sheet Exposures	966,535	75,966	2,320,607	210,906	3,138,909	895,470	938,794	8,860,676	2,168,826	779,379	1,119,078	13,517,656	580,054	35,572,856
Off-Balance Sheet Exposures														
OTC Derivatives	-	-	2	-	-	-	-	48,716	-	-	-	-	-	48,718
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	140,455	3,510	414,704	20,780	465,766	184,016	106,979	34,460	248,674	91,317	30,334	209,449	600	1,951,044
Defaulted Exposures	-	-	-	-	6	9	-	34	-	-	-	39	-	88
Total for Off-Balance Sheet Exposures	140,455	3,510	414,706	20,780	465,772	184,025	106,979	83,210	248,674	91,317	30,334	209,488	600	1,999,850
Total On and Off-Balance Sheet Exposures	**1,106,990**	**79,476**	**2,735,313**	**231,686**	**3,604,681**	**1,079,495**	**1,045,773**	**8,943,886**	**2,417,500**	**870,696**	**1,149,412**	**13,727,144**	**580,654**	**37,572,706**

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

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

30 September 2014	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not Allocated RM'000	Total RM'000
Impaired financing	508	38	35,545	24,696	13,753	9,737	5,258	28	3,150	9,615	5,386	258,554	6,313	-	**372,581**
Past due financing	8,087	49,673	52,778	622	59,956	26,541	15,448	369	13,401	33,488	14,552	4,557,389	7,646	-	**4,839,950**
Individual allowances	-	-	25,506	1,965	1,909	1,192	430	-	38	-	-	-	-	-	**31,040**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	512,790	**512,790**
Charges/(Writeback) for individual	-	-	7,736	1,965	1,129	987	128	-	3	(258)	-	-	-	-	**11,690**
Write-offs against individual allowances	-	-	-	-	-	-	120	-	-	-	-	-	-	-	**120**

31 March 2014	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not Allocated RM'000	Total RM'000
Impaired financing	1,395	127	32,191	57	12,029	10,680	5,480	614	3,240	6,275	4,734	271,681	12	-	**348,515**
Past due financing	34,124	3,234	53,945	722	61,036	30,707	202,829	7,175	41,504	29,572	26,352	4,369,633	221	-	**4,861,054**
Individual allowances	-	-	17,770	-	780	205	422	-	35	258	-	-	-	-	**19,470**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	534,465	**534,465**
Charges/(Writeback) for individual allowances	-	20	48,515	-	780	1,467	4,618	-	(5,394)	258	3,304	-	-	-	**53,568**
Write-offs against individual allowances	-	20	36,812	-	-	1,262	4,196	-	-	-	6,259	-	-	-	**48,549**

Table 5.3: Geographical distribution of credit exposures

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

30 September 2014	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,315,286	-	5,315,286
Banks, DFIs and MDBs	2,105,255	3,634	2,108,889
Corporates	12,245,255	-	12,245,255
Regulatory Retail	13,701,263	-	13,701,263
Residential Mortgages	124,008	-	124,008
Other Assets	251,006	-	251,006
Defaulted Exposures	257,989	-	257,989
Total for On Balance Sheet Exposures	34,000,062	3,634	34,003,696
Off-Balance Sheet Exposures			
OTC Derivatives	72,448	-	72,448
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,047,143	-	2,047,143
Defaulted Exposures	7,741	-	7,741
Total for Off-Balance Sheet Exposures	2,127,332	-	2,127,332
Total On and Off-Balance Sheet Exposures	**36,127,394**	**3,634**	**36,131,028**

Table 5.3: Geographical distribution of credit exposures

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

31 March 2014	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	6,696,281	-	6,696,281
Banks, DFIs and MDBs	2,442,270	24,835	2,467,105
Corporates	12,464,229	-	12,464,229
Regulatory Retail	13,363,958	-	13,363,958
Residential Mortgages	130,614	-	130,614
Other Assets	234,411	-	234,411
Defaulted Exposures	216,258	-	216,258
Total for On-Balance Sheet Exposures	35,548,021	24,835	35,572,856
Off-Balance Sheet Exposures			
OTC Derivatives	48,718	-	48,718
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	1,951,044	-	1,951,044
Defaulted Exposures	88	-	88
Total for Off-Balance Sheet Exposures	1,999,850	-	1,999,850
Total On and Off-Balance Sheet Exposures	**37,547,871**	**24,835**	**37,572,706**

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

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

30 September 2014	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired financing	372,581	-	372,581
Past due financing	4,839,950	-	4,839,950
Individual allowances	31,040	-	31,040
Collective allowances	512,790	-	512,790

31 March 2014	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired financing	348,515	-	348,515
Past due financing	4,861,054	-	4,861,054
Individual allowances	19,470	-	19,470
Collective allowances	534,465	-	534,465

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

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

30 September 2014	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	3,181,765	597,790	-	-	-	179,717	1,356,014	-	5,315,286
Banks, DFIs and MDBs	517,413	1,445,112	126,903	-	-	-	19,461	-	2,108,889
Corporates	3,726,513	809,849	526,181	487,984	1,635,770	1,494,139	3,564,819	-	12,245,255
Regulatory Retail	309,248	8,187	18,273	85,404	791,780	2,177,248	10,311,123	-	13,701,263
Residential Mortgages	28	1	30	203	1,757	4,494	117,495	-	124,008
Other Assets	556	1,401	1,943	4,343	20,959	111,486	-	110,318	251,006
Defaulted Exposures	50,967	1,283	2,004	10,946	36,238	43,909	112,642	-	257,989
Total for On-Balance Sheet Exposures	7,786,490	2,863,623	675,334	588,880	2,486,504	4,010,993	15,481,554	110,318	34,003,696
Off-Balance Sheet Exposures									
OTC Derivatives	50	293	12,669	27,936	-	-	31,500	-	72,448
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	152,745	131,490	292,545	372,611	313,868	323,481	460,403	-	2,047,143
Defaulted Exposures	-	2,428	4,836	7	313	145	12	-	7,741
Total for Off-Balance Sheet Exposures	152,795	134,211	310,050	400,554	314,181	323,626	491,915	-	2,127,332
Total On and Off-Balance Sheet Exposures	**7,939,285**	**2,997,834**	**985,384**	**989,434**	**2,800,685**	**4,334,619**	**15,973,469**	**110,318**	**36,131,028**

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

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

31 March 2014	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	3,501,254	1,578,574	100,269	-	-	176,567	1,339,617	-	6,696,281
Banks, DFIs and MDBs	989,290	1,052,546	-	125,202	-	-	14,221	285,846	2,467,105
Corporates	3,538,054	851,902	494,091	598,021	1,549,050	2,026,612	3,406,499	-	12,464,229
Regulatory Retail	301,390	12,370	24,842	77,362	801,540	1,869,171	10,277,283	-	13,363,958
Residential Mortgages	30	26	9	70	1,746	4,519	124,214	-	130,614
Other Assets	510	1,044	1,627	3,475	-	111,583	-	116,172	234,411
Defaulted Exposures	18,723	2,524	4,030	6,565	42,226	29,227	112,963	-	216,258
Total for On-Balance Sheet Exposures	8,349,251	3,498,986	624,868	810,695	2,394,562	4,217,679	15,274,797	402,018	35,572,856
Off-Balance Sheet Exposures									
OTC Derivatives	10,030	121	8,120	10,761	19,686	-	-	-	48,718
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	236,927	74,013	171,475	462,859	360,143	106,517	539,110	-	1,951,044
Defaulted Exposures	39	3	-	-	34	-	12	-	88
Total for Off-Balance Sheet Exposures	246,996	74,137	179,595	473,620	379,863	106,517	539,122	-	1,999,850
Total On and Off-Balance Sheet Exposures	**8,596,247**	**3,573,123**	**804,463**	**1,284,315**	**2,774,425**	**4,324,196**	**15,813,919**	**402,018**	**37,572,706**

Table 5.6: Reconciliation of changes to financing impairment allowances

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

30 September 2014	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April 2014	19,470	534,465
Charge for the period – net	11,690	146,392
Transfer to AmBank*	-	2,463
Amount written-off	(120)	(170,530)
Balance at 30 September 2014	31,040	512,790

31 March 2014	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April 2013	14,451	490,410
Charge for the year – net	53,568	240,823
Amount written-off	(48,549)	(196,768)
Balance at 31 March 2014	19,470	534,465

30 September 2014	(Charge off)/recoveries RM'000
Bad debts written off during the period	(3,611)
Bad debt recoveries during the period	69,149

31 March 2014	(Charge off)/recoveries RM'000
Bad debts written off during the year	(4,702)
Bad debt recoveries during the year	90,622

* Upon expiry of the PSIA contract on 2 May 2014, AmBank had derecognised the collective allowance on the PSIA financing and accordingly, the Bank now accounts for the collective allowance in its financial statements.

As at 31 March 2014, the gross exposure and collective allowance relating to the PSIA financing amounted to RM450.1 million and RM2.5 million respectively. There was no individual allowance provided for PSIA financing up to the expiry of the RSIA contract.

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

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

30 September 2014

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	5,315,286	-	19,461	-	1,657,404	-	-	-	-	6,992,151	-
20%	-	-	2,090,965	-	528,620	330	-	-	-	2,619,915	523,983
35%	-	-	-	-	-	-	123,492	-	-	123,492	43,222
50%	-	-	65,534	-	42,268	6,404	2,415	-	-	116,621	58,311
75%	-	-	-	-	-	13,121,630	-	-	-	13,121,630	9,841,222
100%	-	-	-	-	11,449,447	882,283	3,528	-	251,007	12,586,265	12,586,265
150%	-	-	-	-	75,222	88,530	-	1,918	-	165,670	248,505
Average Risk Weight											
Total	5,315,286	-	2,175,960	-	13,752,961	14,099,177	129,435	1,918	251,007	35,725,744	23,301,508
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

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

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

31 March 2014

Risk Weights	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns and Central Banks	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,696,281	14,221	-	2,024,387	-	-	-	-	8,734,889	-
20%	-	1,901,125	-	552,567	439	-	-	-	2,454,131	490,826
35%	-	-	-	-	-	129,678	-	-	129,678	45,387
50%	-	586,014	-	41,429	8,388	3,604	-	-	639,435	319,718
75%	-	-	-	-	12,762,736	-	-	-	12,762,736	9,572,052
100%	-	-	60	11,062,521	870,917	3,019	-	234,411	12,170,928	12,170,928
150%	-	-	-	31,642	81,970	-	2,542	-	116,154	174,231
Average Risk Weight										
Total	6,696,281	2,501,360	60	13,712,546	13,724,450	136,301	2,542	234,411	37,007,951	22,773,142
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2014

	Ratings of Corporate by Approved ECAIs				
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Credit Exposures (using Corporate Risk Weights)					
Insurance Companies, Securities Firms and Fund managers	**-**	-	-	-	-
Corporates	**14,140,051**	**276,243**	**38,277**	**-**	**13,825,531**
Total	**14,140,051**	**276,243**	**38,277**	**-**	**13,825,531**

31 March 2014

	Ratings of Corporate by Approved ECAIs				
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Unrated**
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Credit Exposures (using Corporate Risk Weights)					
Insurance Companies, Securities Firms and Fund managers	**60**	-	-	-	60
Corporates	**14,260,889**	321,800	40,055	-	13,899,034
Total	**14,260,949**	**321,800**	**40,055**	**-**	**13,899,094**

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

30 September 2014

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	5,315,286	-	5,315,286	-	-	-	-
Total	5,315,286	-	5,315,286	-	-	-	-

31 March 2014

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	6,696,281	-	6,696,281	-	-	-	-
Total	6,696,281	-	6,696,281	-	-	-	-

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

30 September 2014

	Ratings of Banking Institutions by Approved ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	2,175,960	199,712	3,622	4,500	1,968,126
Total	2,175,960	199,712	3,622	4,500	1,968,126

31 March 2014

	Ratings of Banking Institutions by Approved ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	2,501,359	24,429	12,770	-	2,464,160
Total	2,501,359	24,429	12,770	-	2,464,160

Table 7.1: Credit Risk Mitigation

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

Exposures 30 September 2014	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,315,286	-	-
Banks, DFIs and MDBs	2,108,889	-	-
Corporates	12,245,255	674,104	1,049,995
Regulatory Retail	13,701,263	330	29,508
Residential Mortgages	124,008	-	194
Other Assets	251,006	-	-
Defaulted Exposures	257,989	-	3,286
Total On-Balance Sheet Exposures	34,003,696	674,434	1,082,983
Off-Balance Sheet Exposures			
OTC Derivatives	72,448	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,047,143	10,667	313,867
Defaulted Exposures	7,741	-	3
Total Off-Balance Sheet Exposures	2,127,332	10,667	313,870
Total On and Off-Balance Sheet Exposures	**36,131,028**	**685,101**	**1,396,853**

Exposures 31 March 2014	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	6,696,281	-	-
Banks, DFIs and MDBs	2,467,105	-	-
Corporates	12,464,229	1,034,403	1,324,960
Regulatory Retail	13,363,958	434	22,915
Residential Mortgages	130,614	-	202
Other Assets	234,411	-	-
Defaulted Exposures	216,258	280	4,147
Total for On-Balance Sheet Exposures	35,572,856	1,035,117	1,352,224
Off-Balance Sheet Exposures			
OTC Derivatives	48,718	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	1,951,044	6,939	317,155
Defaulted Exposures	88	-	3
Total for Off-Balance Sheet Exposures	1,999,850	6,939	317,158
Total On and Off-Balance Sheet Exposures	**37,572,706**	**1,042,056**	**1,669,382**

Table 8.1: Off-Balance Sheet Exposures

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

30 September 2014

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	103,083		103,083	92,871
Transaction related contingent items	714,551		357,276	253,932
Short term self liquidating trade related contingencies	80,188		16,038	14,451
Forward asset purchases	312,385		5,657	2,481
Obligations under an on-going underwriting agreement	-		-	-
Foreign exchange related contracts	1,020,869	4,762	24,551	17,739
One year or less	1,020,869	4,762	24,551	17,739
Profit rate related contracts	350,000	-	31,500	15,750
Over five years	350,000	-	31,500	15,750
Other commodity contracts	321,520	321	16,397	8,200
One year or less	321,520	321	16,397	8,200
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,111,696		555,848	516,033
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,478,081		895,615	866,764
Unutilised credit card lines	606,835		121,367	90,673
Total	9,099,208	5,083	2,127,332	1,878,894

31 March 2014

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	128,226		128,226	110,245
Transaction related contingent items	706,662		353,331	242,731
Short term self liquidating trade related contingencies	60,205		12,041	9,143
Forward asset purchases	170,000		170	34
Obligations under an on-going underwriting agreement	25,000		-	-
Foreign exchange related contracts	1,110,511	7,096	24,295	19,427
One year or less	1,110,511	7,096	24,295	19,427
Equity related contracts	64,108	43	1,966	983
Over one year to five years	64,108	43	1,966	983
Other commodity contracts	373,900	560	22,456	11,228
One year or less	53,805	80	2,770	1,385
Over one year to five years	320,095	480	19,686	9,843
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,024,041		512,021	478,904
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,113,057		822,612	802,474
Unutilised credit card lines	613,662		122,732	91,755
Total	8,389,372	7,699	1,999,850	1,766,924

9.0 Securitisation

Table 9.1: Securitisation under the Standardised Approach for Trading Book Exposures

30 SEPTEMBER 2014					
Securitisation Exposures by Exposure Type	**Total exposures value of positions purchased or retained RM'000**	**Exposures subject to deduction RM'000**	**General Risk Charge RM'000**	**Specific Risk Charge RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation					
Originated by Third Party					
On Balance Sheet by Exposure Type -others	5,075	5,075	5,075	5,075	5,075
Total Traditional Securitisation	5,075	5,075	5,075	5,075	5,075
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation Securitisation	5,075	5,075	5,075	5,075	5,075

10.0 Non-Traded Market Risk

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

The RORBB sensitivity for the Bank is as follows:

30 September 2014	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and	(10,191)	10,191
Impact on equity	(319,816)	347,716

31 March 2014	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and	(1,552)	1,552
Impact on equity	(291,755)	318,315

11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2014 and 31 March 2014.

12.0 Shariah Governance Structure

12.1 Shariah non-compliant income

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

As at 30 September 2014, the review of operational processes detected one Shariah non-compliant incident involving financing income approximately RM112,300.