

AMMB Banking Group **Pillar 3 Disclosure**

30 September 2016

RWCAF- Pillar 3 Disclosure (Applicable to the regulated banking subsidiaries of the Group) For 30 September 2016

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1.0 Scope of Application

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

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

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

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. Each entity’s standalone and consolidated capital adequacy position and more detailed quantitative disclosures are available via our website at www.ambankgroup.com.

With effect from 1 January 2016, pursuant to BNM’s guidelines on Capital Adequacy Framework (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines for its banking subsidiaries remained at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8% for total capital ratio. The Group’s banking subsidiaries are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

- (a) a Capital Conservation Buffer (“CCB”) of 2.5%; and
- (b) a Countercyclical Capital Buffer (“CCyB”) determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

AMMB, being a financial holding company (“FHC”) will be required to comply with the above BNM’s guideline issued on 13 October 2015 on minimum capital adequacy ratios at the consolidated level for FHC effective 1 January 2019.

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

The Pillar 3 disclosures of the Group is available on our corporate website at www.ambankgroup.com.

1.0 Scope of Application (Cont'd.)

1.1 Basis of Consolidation

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

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

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

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

Any such transfers would require the approvals of the respective Board of Directors (“Board”), as well as the concurrence of BNM.

2.0 Capital Management

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

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of 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:
- (b) Capital requirement to support business growth, strategic objectives, buffer for material regulatory risks and stress test results.

2.0 Capital Management (Cont'd.)

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

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

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

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

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

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"). The GALCO is also responsible for managing the Group's statement of financial position, capital and liquidity.

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

Group Management Risk Committee ("GMRC") proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2017 ("FY 2017"), these ranges are 8.5% to 10.5% for the Common Equity Tier ("CET 1") Capital Ratio, 9.7% to 11.7% for the Tier 1 Capital Ratio, and 14.0% to 16.0% for the Total Capital Ratio. The Group has been operating within these ranges.

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

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

Table 2.1: Capital Adequacy Ratios

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

	30.09.16			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	11.482%	10.547%	33.169%	12.068%
Tier 1 Capital ratio	12.946%	10.547%	33.169%	13.113%
Total Capital ratio	16.196%	15.072%	33.169%	16.699%
After deducting proposed dividends:				
CET1 Capital ratio	11.227%	10.547%	33.005%	11.883%
Tier 1 Capital ratio	12.690%	10.547%	33.005%	12.928%
Total Capital ratio	15.940%	15.072%	33.005%	16.514%
	31.03.16			
	AmBank (Restated) Note (iii) (a)	AmBank Islamic	AmInvestment Bank (Restated) Note (iii) (b)	Group * (Restated) Note (iii) (c)
Before deducting proposed dividends:				
CET1 Capital ratio	11.108%	9.846%	34.341%	11.605%
Tier 1 Capital ratio	12.580%	9.846%	34.341%	12.640%
Total Capital ratio	15.792%	15.320%	34.341%	16.467%
After deducting proposed dividends:				
CET1 Capital ratio	10.667%	9.846%	32.026%	11.259%
Tier 1 Capital ratio	12.139%	9.846%	32.026%	12.294%
Total Capital ratio	15.351%	15.320%	32.026%	16.121%

Notes:

- (i) The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord.
- (ii) Group* figures presented in this Report represent an aggregation of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at www.ambankgroup.com.
- (iii) The restated comparative capital adequacy ratios were due to the effect of the pooling of interests method arising from :
 - (a) the transfer of card operations to AmBank from its wholly-owned subsidiary, AmCard Services Berhad.
 - (b) the transfer of future broking business from AmFuture Sdn Bhd ("AmFuture") to AmInvestment Bank during the current financial period. AmFuture is a wholly owned subsidiary of AmInvestment Bank.
 - (c) acquisition of 100% equity interest in AmFunds Management Berhad ("AFMB"), and AmIslamic Funds Management Sdn Bhd ("AIFM") by AmInvestment Bank from a related company, AmInvestment Group Berhad. AmInvestment Bank, AmFuture, AFMB and AIFM are all under common control. Accordingly the abovementioned transfer of business and acquisition had been accounted for via the pooling of interests method.

Under the pooling of interests method, the results and financial position of the abovementioned transfer of business and acquisition are included in the financial statements of AmInvestment Bank as it the merger had been effected prior to and throughout the current financial period.

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

30 SEPTEMBER 2016							
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by RIA	Total Risk Weighted Assets after effects of RIA	Minimum capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. Credit risk							
On balance sheet exposures							
Sovereigns/ central banks		5,695,646	5,695,646	-	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		8,373,872	8,373,872	1,743,001	-	1,743,001	139,439
Insurance companies, Securities firms and Fund managers		4,219	4,219	4,219	-	4,219	337
Corporates		49,250,945	47,429,064	38,029,395	1,003,656	37,025,739	2,962,059
Regulatory retail		34,327,064	33,541,555	26,337,579	-	26,337,579	2,107,007
Residential mortgages		11,678,222	11,658,363	4,178,784	-	4,178,784	334,303
Higher risk assets		121,403	121,387	182,079	-	182,079	14,566
Other assets		3,190,623	3,190,623	2,506,055	-	2,506,055	200,485
Securitisation exposures		53,571	53,571	12,945	-	12,945	1,036
Equity exposures		3,437	3,437	3,437	-	3,437	275
Defaulted exposures		1,194,176	1,171,510	1,481,383	-	1,481,383	118,511
Total for on balance sheet exposures		113,893,178	111,243,247	74,478,877	1,003,656	73,475,221	5,878,018
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		3,539,562	3,539,562	1,845,144	-	1,845,144	147,611
Credit derivatives		12	12	6	-	6	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives		12,128,504	11,283,919	10,000,028	-	10,000,028	800,003
Defaulted exposures		21,049	17,031	25,546	-	25,546	2,044
Total for off balance sheet exposures		15,689,127	14,840,524	11,870,724	-	11,870,724	949,658
Total on and off balance sheet exposures		129,582,305	126,083,771	86,349,601	1,003,656	85,345,945	6,827,676
2. Large exposures risk requirement							
3. Market risk							
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	82,494,345	80,275,244		1,902,312	-	1,902,312	152,185
- Specific interest rate risk/Rate of return risk	3,348,565	1,134,474		155,811	-	155,811	12,465
Foreign currency risk	207,725	202,994		242,323	-	242,323	19,386
Equity risk							
- General risk	109,881	413		109,518	-	109,518	8,761
- Specific risk	109,881	413		567	-	567	45
Option risk	629,378	366,885		5,813	-	5,813	465
Total	86,899,775	81,980,423		2,416,344	-	2,416,344	193,307
4. Operational risk				6,501,605	-	6,501,605	520,128
5. Total RWA and capital requirements				95,267,550	1,003,656	94,263,894	7,541,111

As part of an arrangement between AmBank and AmBank Islamic in relation to Restricted Investment Account ("RIA") agreements, AmBank records as Investment account its exposure in the arrangement, whereas AmBank Islamic records its exposure as "financing and advances". The RIA is a contract based on Shariah concept of Mudarabah between AmBank and AmBank Islamic to finance a specific business venture where AmBank solely provides capital and the business ventures are managed solely by AmBank Islamic as the entrepreneur. The RIA 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 RIA arrangement.

As at 30 September 2016, the gross exposure and collective allowance relating to the RIA financing are RM1,003.7 million and RM1.5 million (31 March 2016:RM1,004.0 million and RM1.5 million respectively). There was no individual allowance provided for the RIA financing. RIA assets excluded from the risk-weighted capital adequacy computation of AmBank Islamic for 30 September 2016 amounted to RM1,368.0 million and the risk weighted on these RIA assets are accounted for in the computation of capital adequacy of AmBank.

Table 2.2 Risk-Weighted Assets and Capital Requirements (Cont'd.)

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

31 MARCH 2016 (Restated)							
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by RIA	Total Risk Weighted Assets after effects of RIA	Minimum capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. Credit risk							
On balance sheet exposures							
Sovereigns/ central banks		12,011,366	12,011,366	-	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		10,032,775	10,032,775	2,110,552	-	2,110,552	168,843
Insurance companies, Securities firms and Fund managers		7,201	7,201	7,201	-	7,201	576
Corporates		51,251,650	49,695,524	39,354,722	1,003,979	38,350,743	3,068,060
Regulatory retail		33,688,061	32,665,429	25,679,133	-	25,679,133	2,054,330
Residential mortgages		11,347,176	11,324,616	4,010,179	-	4,010,179	320,814
Higher risk assets		111,409	111,409	167,113	-	167,113	13,369
Other assets		3,474,031	3,474,031	3,032,362	-	3,032,362	242,589
Securitisation exposures		53,432	53,432	13,607	-	13,607	1,089
Equity exposures		4,210	4,210	4,210	-	4,210	337
Defaulted exposures		1,147,366	1,130,451	1,396,145	-	1,396,145	111,691
Total for on balance sheet exposures		123,128,677	120,510,444	75,775,224	1,003,979	74,771,245	5,981,698
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		4,513,246	4,513,246	1,840,600	-	1,840,600	147,248
Credit derivatives		42	42	21	-	21	2
Off balance sheet exposures other than OTC derivatives or Credit derivatives		10,897,557	10,076,020	8,832,482	-	8,832,482	706,598
Defaulted exposures		51,758	32,042	48,063	-	48,063	3,845
Total for off balance sheet exposures		15,462,603	14,621,350	10,721,166	-	10,721,166	857,693
Total on and off balance sheet exposures		138,591,280	135,131,794	86,496,390	1,003,979	85,492,411	6,839,391
2. Large exposures risk requirement							
					-	-	-
3. Market risk							
		Long Position	Short Position				
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	93,046,824		91,456,261		2,071,964	-	2,071,964
- Specific interest rate risk/Rate of return risk	2,624,760		860,826		141,221	-	141,221
Foreign currency risk	180,552		65,119		180,552	-	180,552
Equity risk							
- General risk	142,867		11,304		131,563	-	131,563
- Specific risk	142,867		11,304		30,081	-	30,081
Option risk	657,381		469,892		24,554	-	24,554
Total	96,795,251		92,874,706		2,579,935	-	2,579,935
4. Operational risk							
					7,108,472	-	7,108,472
5. Total RWA and capital requirements							
					96,184,797	1,003,979	95,180,818
							7,614,463

3.0 Capital Structure

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

- Common Equity Tier 1 (“CET1”) Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

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

3.1 CET 1 Capital

CET 1 Capital consists of the following:

(a) Paid-up Ordinary Share Capital

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

(b) Share Premium

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

(c) Retained Earnings

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

(d) Other Disclosed Reserves

Other disclosed reserves comprise the following:

(i) Statutory reserve

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

(ii) Capital Reserve and Merger Reserve

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

(iii) Foreign Currency Translation Reserve/(Deficit)

Exchange gain (foreign currency translation reserve) and exchange losses (foreign currency translation deficit) arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group’s presentation currency.

3.1 CET 1 Capital (Cont'd.)

(d) Other Disclosed Reserves (Cont'd.)

(iv) Available-for-Sale Reserve/(Deficit)

Available-for-sale reserve/(deficit) is in respect of unrealised fair value gains/(losses) on financial investments available-for-sale. Where the unrealised fair value changes is a net gain outstanding balance, the Bank can recognise 45% of the total outstanding balance as part of CET 1 Capital. Where the unrealised fair value changes is a net loss outstanding balance, the entire outstanding balance is deducted in CET 1 Capital.

(e) Cash Flow Hedging Reserve/(Deficit)

Cash flow hedging reserve/(deficit) comprises the portion of the gains/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gain as at the reporting period is classified as cash flow hedging reserve and cash flow hedging losses is classified as cash flow hedging deficit. The amount of the cash flow hedging reserve/(deficit) is derecognised in the calculation of CET 1 Capital.

(f) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 13.1 of the the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent. The amount of the regulatory reserve is derecognised in the calculation of CET1 Capital.

3.2 Additional Tier 1 Capital

The amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. For 2016, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 60% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. As at 1 January 2013 and at present, only AmBank has Additional Tier 1 Capital Instrument in issuance. Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 Capital Instruments of AmBank. Details of the Additional Tier 1 Capital Instruments are outlined below.

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

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013		
Instruments		RM'000
Non-cumulative Non-voting Guaranteed Preference Shares		750,100
Innovative Tier 1 Capital - Tranche 1		300,000
Innovative Tier 1 Capital - Tranche 2		185,000
Non-Innovative Tier 1 Capital - Tranche 1		200,000
Non-Innovative Tier 1 Capital - Tranche 2		300,000
Total qualifying base		1,735,100

Note 1

Calendar year	Cap on Additional Tier 1 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap RM'000
2013	90%	1,561,590
2014	80%	1,388,080
2015	70%	1,214,570
2016	60%	1,041,060
2017	50%	867,550
2018	40%	694,040
2019	30%	520,530
2020	20%	347,020
2021	10%	173,510
2022	0%	0

Note 1

Repaid in full on its first call date of 27 January 2016.

3.2 Additional Tier 1 Capital (Cont'd.)

Innovative Tier 1 Capital

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

(a) Innovative Tier 1 Capital Securities

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

(b) Non-innovative Tier 1 Capital

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

- (i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
 - (ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.
- (collectively known as "Stapled Capital Securities").

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

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

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

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

3.3 Tier 2 capital

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

The amount of Tier 2 Capital issued prior to 2013 that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. For 2016 the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 60% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. Tables 3.2(a) and 3.2(b) outline the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for AmBank and AmBank Islamic respectively. AmInvestment Bank does not have any Tier 2 Capital Instruments in issuance as at 1 January 2013 and at present. Details of the Tier 2 Capital Instruments are outlined below.

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

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

Calendar year	Cap on Tier 2 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap RM'000
2013	90%	1,771,020
2014	80%	1,574,240
2015	70%	1,377,460
2016	60%	1,180,680
2017	50%	983,900
2018	40%	787,120
2019	30%	590,340
2020	20%	393,560
2021	10%	196,780
2022	0%	0

Note 1 :

- (a) Tranche 1 was called and cancelled on its first call date of 4 February 2013.
- (b) Tranche 2 was called and cancelled on its first call date of 14 March 2013.
- (c) Tranche 3 was called and early redeemed on its first call date of 16 March 2015.
- (d) Tranche 4 was called and cancelled on its first call date of 28 March 2013.
- (e) Tranche 5 was called and early redeemed on 28 March 2015.
- (f) Tranche 7 was called and cancelled on its first called date of 10 December 2014.

3.3 Tier 2 capital (Cont'd.)

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

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

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

Medium Term Notes

In the financial year ended 31 March 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes (“MTN”) Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

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

The salient features of the MTNs issued under this programme and outstanding as at 30 September 2016 are as follows:

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

3.3 Tier 2 capital (Cont'd.)

Basel II Subordinated Sukuk Musharakah

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

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

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

The salient features of the Sukuk Musharakah issued under the Subordinated Sukuk Musharakah programme and outstanding as at 30 September 2016 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
31 January 2012	31 January 2017	10 years Non-Callable 5 years	4.35% per annum	190
24 December 2012	23 December 2017	10 years Non-Callable 5 years	4.45% per annum	130
Total				320

During the financial period, AmBank Islamic redeemed RM480.0 million of nominal value of the Sukuk Musharakah on its first call date of 30 September 2016.

Basel III Subordinated Notes

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

The programme has a tenor of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenor of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche.

The salient features of the Subordinated Notes issued under this programme and outstanding as at 30 September 2016 are as follows:

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

3.3 Tier 2 capital (Cont'd.)

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had implemented a Subordinated Sukuk Murabahah programme of RM3.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing the AmBank Islamic's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III compliant and qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

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

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2016 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
28 February 2014	28 February 2019	10 years Non-Callable 5 years	5.07% per annum	200
25 March 2014	25 March 2019	10 years Non-Callable 5 years	5.05% per annum	150
21 December 2015	21 December 2020	10 years Non-Callable 5 years	5.35% per annum	250
Total				600

Table 3.3: Capital Structure

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

	30.09.16			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
CET1 Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	5,246,699	1,091,562	70,395	6,668,578
Available-for-sale reserve/(deficit)	54,041	9,595	-	63,085
Foreign exchange translation reserve	86,765	-	-	93,836
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	65	-	-	65
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(370,501)	(202)	(2,463)	(375,337)
Deferred tax assets	-	-	(4,668)	(6,812)
Cash flow hedging reserve	(65)	-	-	(65)
55% of cumulative gains of AFS financial instruments	(29,723)	(5,277)	-	(34,696)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(5,106)	-	(38,206)	-
Deduction in excess of Tier 2 capital**	-	-	(21,793)	-
CET1 Capital	7,726,352	2,766,130	403,265	11,375,920
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	-	-	985,000
Qualifying CET 1, Additional Tier 1 capital Instruments held by third parties	-	-	-	5
Tier 1 Capital	8,711,352	2,766,130	403,265	12,360,925
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	600,000	-	1,000,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	320,000	-	1,500,680
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	609,413	266,712	3,678	879,825
Less: Regulatory adjustments applied on Tier 2 Capital	(3,404)	-	(3,678)	-
Tier 2 Capital	2,186,689	1,186,712	-	3,380,506
Total Capital	10,898,041	3,952,842	403,265	15,741,431
Credit RWA	60,602,425	25,628,383	902,329	86,349,601
Less: Credit RWA absorbed by Restricted Investment Account	-	(1,003,656)	-	(1,003,656)
Total Credit RWA	60,602,425	24,624,727	902,329	85,345,945
Market RWA	2,250,775	130,857	17,814	2,416,344
Operational RWA	4,434,991	1,470,038	295,635	6,501,605
Total Risk Weighted Assets	67,288,191	26,225,622	1,215,778	94,263,894

* Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

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

Table 3.3: Capital Structure (Cont'd.)

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

	31.03.16 (Restated)			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmlInvestment Bank RM'000	
CET1 Capital				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	5,080,500	982,055	99,023	6,421,500
Available-for-sale reserve/(deficit)	11,951	(1,589)	-	10,162
Foreign exchange translation reserve	61,296	-	-	65,471
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Capital reserve	-	-	-	2,815
Merger reserve	30,043	-	22,622	253,788
Cash flow hedging deficit	3,635	-	-	3,635
Qualifying non-controlling interest	-	-	-	2
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(350,750)	(14)	(2,582)	(356,071)
Deferred tax assets	(115,179)	-	(4,899)	(123,697)
Cash flow hedging deficit	(3,635)	-	-	(3,635)
55% of cumulative gains of AFS reserve	(6,573)	-	-	(6,463)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(23,106)	-	(8,321)	-
Deduction in excess of Tier 2 capital**	-	-	(1,477)	-
CET1 Capital	7,432,359	2,650,904	504,366	11,045,694
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	-	-	985,000
Tier 1 Capital	8,417,359	2,650,904	504,366	12,030,694
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	600,000	-	1,000,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	600,000	-	1,780,680
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	583,675	273,963	4,072	861,734
Less: Regulatory adjustments applied on Tier 2 Capital	(15,404)	-	(4,072)	-
Tier 2 Capital	2,148,951	1,473,963	-	3,642,415
Total Capital	10,566,310	4,124,867	504,366	15,673,109
Credit RWA	60,047,250	26,112,657	1,123,172	86,496,390
Less: Credit RWA absorbed by Restricted Investment Account	-	(1,003,979)	-	(1,003,979)
Total Credit RWA	60,047,250	25,108,678	1,123,172	85,492,411
Market RWA	2,231,172	296,231	35,866	2,579,935
Operational RWA	4,629,614	1,519,148	309,658	7,108,472
Total Risk Weighted Assets	66,908,036	26,924,057	1,468,696	95,180,818

* Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

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

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the Group to set its risk/reward profile.

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

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

Board Approved Risk Appetite Statement

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

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

We adopt a conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Unadjusted Loan Deposit Ratio is up to maximum 100% with continually improving current account and savings account ("CASA") deposit composition and market share.

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

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

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

4.0 General Risk Management (Cont'd.)

Risk Management Governance

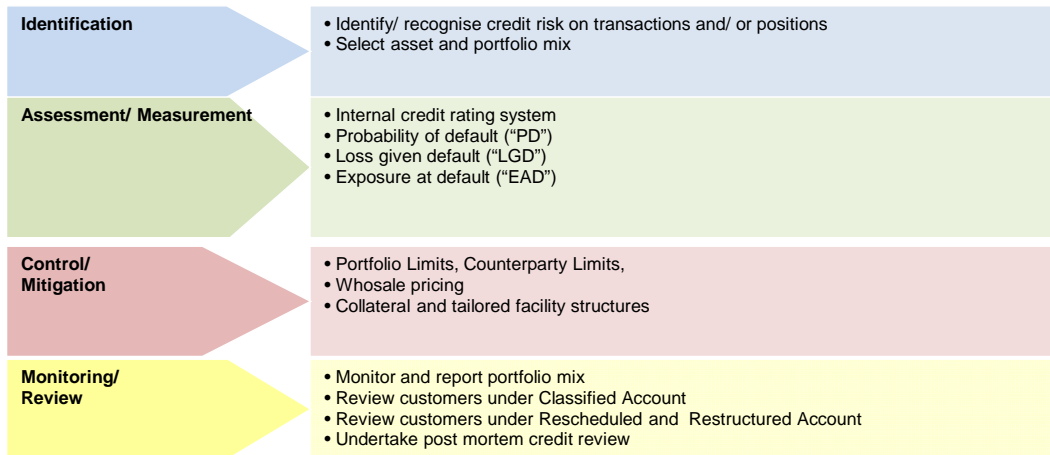
The Board is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk, liquidity risk, credit risk, operational risk and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

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

Board of Directors							
BOARD RISK COMMITTEES		Risk Management Committee of Directors (RMCD)	Audit & Examination Committee (AEC)	Board Credit Committee (BCC)	Governance Committee (GC)	Group Information Technology Committee (GITC)	Shariah Committee
Management Level Risk Management Committees							
MANAGEMENT RISK COMMITTEES		Group Management Risk Committee (GMRC)	Group Asset & Liability Committee (GALCO)	Group Management Governance & Compliance Committee (GMGCC)	Group Management Committee (GMC)	Credit & Commitments Committee (CACC)	

5.0 Credit Risk Management

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



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/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance Structure).

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

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

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

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

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan/ financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

5.0 Credit Risk Management (Cont'd.)

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:
 - single counterparty credit;
 - industry sector; and
 - country
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/ Financing issued in April 2015; and
- Setting guidelines on Wholesale Pricing which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be submitted to Board Credit Committee ("BCC") for review or approval, as the case may be. Portfolio credit risk is reported to the relevant management and board committees.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/financing portfolio, and review the portfolio risk profile against the Group Risk Appetite Framework ("GRAF"), and recommend or approve new and amended credit risk policy.

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

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

5.1 Impairment

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

All loans, financing and advances are categorised as either:

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

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

A loan is classified as impaired under the following circumstances:

- (a) when the principal or interest or both is past due¹ 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 obligation² ; or
- (b) for loans/financing where repayments are scheduled on intervals of 3 months or longer, the loan/financing is to be classified as impaired 1+30 days or 1 day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default³ .
- (c) for trade bills/facilities, an account is deemed default and impaired when the past due is 90 days from due date of the bill.
- (d) a loan/financing may also be classified as impaired:
 - i. if it is probable that the Group will be unable to collect all amounts due (including both interest/ profit and principal) according to the contractual terms of the agreement; or
 - ii. due to cross-default. Cross-default occurs when:
 - a default of a loan/financing obligation of a borrower triggers a default of another loan/financing obligation of the same borrower or
 - a default of a loan/financing obligation of a borrower triggers a default of a loan/financing obligation of other borrowers within the same borrower group.The CACC is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group.
or
 - iii. if deemed appropriate by the Watchlist Forum.
- (e) debt instruments (for example, fixed income securities, debt converted instruments etc.) shall be classified as impaired:
 - i. when the coupon /interest payment or face/ nominal value redemption is one (1) day past due after the grace period, where there is a stipulated grace period within the contractually agreed terms; or
 - ii. when an event of default ("EOD") has been declared by the Trustee/ Facility Agent⁴ for reasons other than payment in default (as outlined in the Trust Deed Guidelines issued by the Securities Commission of Malaysia); or
 - iii. where it is deemed appropriate to classify as impaired and approved by the Watchlist Forum.
- (f) in the case of stock broking and futures broking:
 - i. for margin financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance.
 - ii. for futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer's retention funds.
- (g) the loan/ financing is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

5.1 Impairment (Cont'd.)

5.1.2 Methodology for Determination of Individual and Collective Allowances

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

Individual Assessment

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

(a) Trigger management

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

(b) Valuation of assets

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

Collective Assessment

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

With effect from 31 December 2015, the Group is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/ financing⁵ net of individual impairment.

¹For 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.

²Material obligation as determined by Management. Current “material” threshold is set at more than RM200.00.

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

⁴In cases where the bond/sukuk holdings are not governed by a Trust Deed, the Facility Agent may declare, if so requested in writing by the bond/sukuk holders by way of Special Resolution that an EOD has occurred (subject to the Agency Agreement between issuers and facility agent), notwithstanding the stated maturity of the bond/sukuk.

⁵Excluding loans/financing with an explicit guarantee from the Government of Malaysia.

Table 5.1: Distribution of gross credit exposures by sector

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

30 SEPTEMBER 2016															
	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	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures															
Sovereigns/ Central banks	-	-	-	-	-	-	-	-	5,695,646	-	-	-	-	-	5,695,646
Banks, DFIs and MDBs	-	-	-	-	-	-	-	8,363,249	-	-	-	10,623	-	-	8,373,872
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	4,219	-	-	-	-	-	-	4,219
Corporates	3,630,130	3,131,373	8,859,071	674,356	6,635,386	4,724,313	1,963,471	5,290,196	-	8,263,053	766,081	3,662,166	1,521,202	130,147	49,250,945
Regulatory retail	48,919	17,390	236,567	3,900	174,003	272,293	73,049	184,241	-	122,161	111,769	89,869	32,973,158	19,745	34,327,064
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	11,678,222	-	11,678,222
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	21,125	100,278	121,403
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	387,694	2,802,929	3,190,623
Specialised Financing/ Securitisation exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	8	-	-	-	-	31,355	-	22,216	-	-	-	-	53,571
Defaulted exposures	1,054	73,297	33,347	4,423	32,559	32,372	10,856	3,304	-	-	-	-	-	125	3,437
Total for on balance sheet exposures	3,680,103	3,222,060	9,128,993	682,679	6,841,948	5,028,978	2,047,376	13,876,564	5,695,646	8,835,378	887,865	3,774,339	47,134,302	3,056,947	113,893,178
Off balance sheet exposures															
OTC derivatives	13,718	266,296	136,365	-	-	11,721	72,362	3,025,170	-	13,419	88	423	-	-	3,539,562
Credit derivatives	-	-	-	-	-	-	-	12	-	-	-	-	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	393,393	378,990	1,951,230	299,072	2,547,125	984,895	495,159	723,660	-	1,344,758	264,496	318,007	2,422,489	5,230	12,128,504
Defaulted exposures	-	107	12,165	3,376	37	227	-	1,044	-	-	3,944	64	4	81	21,049
Total for off balance sheet exposures	407,111	645,393	2,099,760	302,448	2,547,162	996,843	567,521	3,749,886	-	1,358,177	268,528	318,494	2,422,493	5,311	15,689,127
Total on and off balance sheet exposures	4,087,214	3,867,453	11,228,753	985,127	9,389,110	6,025,821	2,614,897	17,626,450	5,695,646	10,193,555	1,156,393	4,092,833	49,556,795	3,062,258	129,582,305

Table 5.1: Distribution of gross credit exposures by sector (Cont'd.)

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

31 MARCH 2016 (Restated)															
	Agriculture	Mining and	Manufacturing	Electricity, Gas	Construction	Wholesale, Retail	Transport, Storage	Finance and	Government and	Real Estate	Business	Education and	Household	Others	Total
	RM'000	Quarrying	RM'000	and Water	RM'000	Trade,	and	Insurance	Central Banks	RM'000	Activities	Health	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	Restaurant and	Communication	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures															
Sovereigns/ Central banks	-	-	-	-	-	-	-	-	12,011,366	-	-	-	-	-	12,011,366
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,961,208	-	-	-	71,567	-	-	10,032,775
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	7,201	-	-	-	-	-	-	7,201
Corporates	3,925,707	3,334,279	8,709,684	695,584	6,862,206	4,484,435	2,131,657	6,192,045	-	8,826,325	834,987	3,560,504	1,550,688	143,549	51,251,650
Regulatory retail	51,352	18,749	242,344	3,922	179,507	256,160	79,002	187,723	-	113,471	100,755	104,828	32,327,545	22,703	33,688,061
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	11,347,176	-	11,347,176
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	11,139	100,270	111,409
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	647,540	2,826,491	3,474,031
Securitisation exposures	-	-	-	-	-	-	-	31,181	-	22,251	-	-	-	-	53,432
Equity exposures	-	-	8	-	-	-	-	4,066	-	-	-	-	-	136	4,210
Defaulted exposures	2,767	3,172	52,637	6,261	35,637	41,127	12,546	7	-	432,888	3,505	7,008	537,081	12,730	1,147,366
Total for on balance sheet exposures	3,979,826	3,356,200	9,004,673	705,767	7,077,350	4,781,722	2,223,205	16,383,431	12,011,366	9,394,935	939,247	3,743,907	46,421,169	3,105,879	123,128,677
Off balance sheet exposures															
OTC derivatives	58,395	226,195	145,683	-	668	27,528	89,165	3,949,673	-	12,740	2,076	1,123	-	-	4,513,246
Credit derivatives	-	-	-	-	-	-	-	42	-	-	-	-	-	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	342,175	409,156	1,867,604	292,636	2,106,630	879,787	342,985	626,040	-	1,267,689	241,368	293,296	2,223,316	4,875	10,897,557
Defaulted exposures	-	189	1,832	-	688	43,126	500	5,000	-	270	3	1	32	117	51,758
Total for off balance sheet exposures	400,570	635,540	2,015,119	292,636	2,107,986	950,441	432,650	4,580,755	-	1,280,699	243,447	294,420	2,223,348	4,992	15,462,603
Total on and off balance sheet exposures	4,380,396	3,991,740	11,019,792	998,403	9,185,336	5,732,163	2,655,855	20,964,186	12,011,366	10,675,634	1,182,694	4,038,327	48,644,517	3,110,871	138,591,280

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

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

30 SEPTEMBER 2016															
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	1,124	94,878	34,614	9,286	22,328	35,625	11,244	460	511,025	8,909	7,487	679,133	10,750	-	1,426,863
Past due loans / financing	15,662	26,586	366,946	9,967	57,994	76,013	37,610	2,414	556,724	42,326	26,608	10,002,029	26,544	-	11,247,423
Individual allowance	-	21,873	19,934	5,019	3,055	5,705	1,585	-	69,656	4,605	18	7,158	436	-	139,044
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	1,052,268	1,052,268
Charges / (writeback) for individual allowance	-	16,630	(9,536)	(542)	(8,175)	2,457	1,440	-	4,866	(579)	18	(6,236)	34	-	377
Write-offs against individual allowance/other movements	-	162	118,964	4,455	192	41	12,836	-	41,785	167	-	-	-	-	178,602

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 AMMB Banking Group are as follows:

31 MARCH 2016															
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	2,422	88,437	185,051	16,498	50,433	33,682	25,270	477	571,936	10,751	7,043	701,960	6,895	-	1,700,855
Past due loans / financing	17,424	32,019	232,534	17,395	93,938	89,103	74,404	4,524	656,705	54,284	29,413	9,407,257	51,287	-	10,760,287
Individual allowance	-	12,493	148,434	10,017	11,422	3,289	12,980	-	106,575	5,351	-	6,306	402	-	317,269
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	1,061,513	1,061,513
Charges / (writeback) for individual allowance	-	6,544	30,859	(3,015)	11,095	1,264	13,393	-	76,308	(406)	(329)	2,814	402	-	138,929
Write-offs against individual allowance/other movements	-	-	19,777	-	7,527	8,685	13,490	-	-	1,354	649	6,001	-	-	57,483

Table 5.3: Geographical distribution of credit exposures

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

	30 SEPTEMBER 2016		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ Central banks	5,488,978	206,668	5,695,646
Banks, DFIs and MDBs	7,312,748	1,061,124	8,373,872
Insurance companies, Securities firms and Fund managers	4,219	-	4,219
Corporates	47,143,209	2,107,736	49,250,945
Regulatory retail	34,324,518	2,546	34,327,064
Residential mortgages	11,678,222	-	11,678,222
Higher risk assets	121,355	48	121,403
Other assets	2,979,239	211,384	3,190,623
Securitisation exposures	53,571	-	53,571
Equity exposures	3,437	-	3,437
Defaulted exposures	1,105,782	88,394	1,194,176
Total for on balance sheet exposures	110,215,278	3,677,900	113,893,178
Off balance sheet exposures			
OTC derivatives	3,539,562	-	3,539,562
Credit derivatives	12	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,453,839	674,665	12,128,504
Defaulted exposures	21,049	-	21,049
Total for off balance sheet exposures	15,014,462	674,665	15,689,127
Total on and off balance sheet exposures	125,229,740	4,352,565	129,582,305

	31 MARCH 2016 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ Central banks	11,231,213	780,153	12,011,366
Banks, DFIs and MDBs	8,274,157	1,758,618	10,032,775
Insurance companies, Securities firms and Fund managers	7,201	-	7,201
Corporates	48,538,728	2,712,922	51,251,650
Regulatory retail	33,684,894	3,167	33,688,061
Residential mortgages	11,347,176	-	11,347,176
Higher risk assets	111,363	46	111,409
Other assets	3,374,400	99,631	3,474,031
Securitisation exposures	53,432	-	53,432
Equity exposures	4,210	-	4,210
Defaulted exposures	1,147,260	106	1,147,366
Total for on balance sheet exposures	117,774,034	5,354,643	123,128,677
Off balance sheet exposures			
OTC derivatives	4,513,246	-	4,513,246
Credit derivatives	42	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,192,402	705,155	10,897,557
Defaulted exposures	51,758	-	51,758
Total for off balance sheet exposures	14,757,448	705,155	15,462,603
Total on and off balance sheet exposures	132,531,482	6,059,798	138,591,280

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

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

	30 SEPTEMBER 2016		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,321,884	104,979	1,426,863
Past due loans / financing	11,225,446	21,977	11,247,423
Individual allowance	122,397	16,647	139,044
Collective allowance	1,045,842	6,426	1,052,268

	31 MARCH 2016		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,599,569	101,286	1,700,855
Past due loans / financing	10,760,287	-	10,760,287
Individual allowance	307,805	9,464	317,269
Collective allowance	1,044,605	16,908	1,061,513

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

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

	30 SEPTEMBER 2016								Total RM'000
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	
On balance sheet exposures									
Sovereigns/ central banks	1,765,106	369,259	-	-	103,310	137,852	3,320,119	-	5,695,646
Banks, DFIs and MDBs	4,461,066	3,002,768	359,084	191,689	259,805	12,545	86,915	-	8,373,872
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	4,219	-	4,219
Corporates	14,380,266	3,581,235	1,830,579	2,380,505	5,406,374	6,250,476	15,421,510	-	49,250,945
Regulatory retail	1,508,348	56,879	81,892	295,176	2,883,941	6,233,126	23,267,702	-	34,327,064
Residential mortgages	527	467	923	4,630	55,750	136,741	11,479,184	-	11,678,222
Higher risk assets	66	17	-	100	553	783	19,606	100,278	121,403
Other assets	1,438,290	6,103	5,634	11,594	276,676	104,608	-	1,347,718	3,190,623
Securitisation exposures	30	-	-	-	-	-	53,541	-	53,571
Equity exposures	3,304	-	-	-	-	-	8	125	3,437
Defaulted exposures	416,360	10,589	38,703	12,841	134,144	84,459	497,080	-	1,194,176
Total for on balance sheet exposures	23,973,363	7,027,317	2,316,815	2,896,535	9,120,553	12,960,590	54,149,884	1,448,121	113,893,178
Off balance sheet exposures									
OTC derivatives	65,671	232,711	177,382	259,079	353,093	847,131	1,604,495	-	3,539,562
Credit derivatives	-	-	-	-	-	12	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,753,406	1,477,951	1,187,506	1,482,334	1,963,125	368,789	3,895,393	-	12,128,504
Defaulted exposures	271	90	490	139	3,777	12,000	4,282	-	21,049
Total for off balance sheet exposures	1,819,348	1,710,752	1,365,378	1,741,552	2,319,995	1,227,932	5,504,170	-	15,689,127
Total on and off balance sheet exposures	25,792,711	8,738,069	3,682,193	4,638,087	11,440,548	14,188,522	59,654,054	1,448,121	129,582,305

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

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

	31 MARCH 2016 (Restated)								Total RM'000
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	
On balance sheet exposures									
Sovereigns/ central banks	7,072,496	900,005	-	163,261	-	237,710	3,637,894	-	12,011,366
Banks, DFIs and MDBs	7,098,581	2,353,077	102,716	155,178	116,158	30,516	176,549	-	10,032,775
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	7,201	-	7,201
Corporates	14,223,655	4,005,282	2,209,229	1,374,699	7,265,129	6,733,409	15,440,247	-	51,251,650
Regulatory retail	1,509,320	72,232	114,553	269,840	2,827,969	6,050,145	22,844,002	-	33,688,061
Residential mortgages	324	329	1,027	4,720	57,320	130,948	11,152,508	-	11,347,176
Higher risk assets	26	-	4	71	488	394	10,156	100,270	111,409
Other assets	1,442,038	6,807	7,803	14,324	296,610	105,347	-	1,601,102	3,474,031
Securitisation exposures	40	-	-	-	-	-	53,392	-	53,432
Equity exposures	4,066	-	-	-	-	-	7	137	4,210
Defaulted exposures	409,480	29,323	17,760	40,487	116,332	78,639	455,345	-	1,147,366
Total for on balance sheet exposures	31,760,026	7,367,055	2,453,092	2,022,580	10,680,006	13,367,108	53,777,301	1,701,509	123,128,677
Off balance sheet exposures									
OTC derivatives	229,219	431,417	735,925	427,425	335,403	776,364	1,577,493	-	4,513,246
Credit derivatives	-	23	7	-	-	12	-	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,365,935	1,061,827	1,087,985	2,151,379	1,943,473	511,950	2,775,008	-	10,897,557
Defaulted exposures	14,495	1,370	23,543	10,637	280	-	1,433	-	51,758
Total for off balance sheet exposures	1,609,649	1,494,637	1,847,460	2,589,441	2,279,156	1,288,326	4,353,934	-	15,462,603
Total on and off balance sheet exposures	33,369,675	8,861,692	4,300,552	4,612,021	12,959,162	14,655,434	58,131,235	1,701,509	138,591,280

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

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

	30 SEPTEMBER 2016	
	Individual impairment allowance	Collective impairment allowance
	RM'000	RM'000
Balance at beginning of the financial year	317,269	1,061,513
Charge for the period – net	377	225,440
Amount written-off	(179,102)	(235,859)
Amount transferred to AmBank Islamic	-	-
Amount transferred from AmBank	-	-
Exchange differences	500	1,174
Balance at end of the financial period **	139,044	1,052,268
		(Charge off)/ recoveries
		RM'000
Bad debts written off during the period		(52,396)
Bad debt recoveries during the period		351,291

	31 MARCH 2016	
	Individual impairment allowances	Collective impairment allowances
	RM'000	RM'000
Balance at beginning of the financial year	235,823	1,413,424
Charge for the year – net	138,929	263,782
Amount written-off	(57,483)	(616,968)
Amount transferred to AmBank Islamic	-	(17)
Amount transferred from AmBank	-	17
Exchange differences	-	1,275
Balance at end of the financial year **	317,269	1,061,513
		(Charge off)/ recoveries
		RM'000
Bad debts written off during the year		(122,038)
Bad debt recoveries during the year		687,592

* on 31 December 2015, a contract for the sum of RM300,000,000 was entered into by AmBank with AmBank Islamic. Arising from this new contract, AmBank Islamic transferred collective allowance of RM2,461,000 for the financing funded by AmBank. On 15 March 2016, AmBank early redeemed the RIA and derecognised the collective allowance previously recognised in its financial statements of RM2,478,000.

** As at 30 September 2016, the gross exposure and collective allowance relating to the RIA financing amounted to RM1,003.7 million and RM1.5 million respectively (31 March 2016: RM1,004.0 million and RM1.5 million) respectively.

There was no individual allowance provided for the RIA financing as at 30 September 2016 and 31 March 2016.

6.0 Credit Risk Exposure under Standardised Approach

Depending on the exposure class, the following ratings by the following External Credit Assessment Institutions ("ECAIs") are used by the Group:

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

The table below provides the ECAIs rating that broadly corresponds to the broad internal credit quality categories. Internal credit rating grades assigned to corporate and retail lending business were realigned in 2015 from existing 5 rating categories to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The ECAIs mapping is based on 1 year average cumulative default rates as per corporate default studies undertaken by Fitch (1990-2013), Standard & Poor's (1981-2013), Moody's (1983-2013), RAM (1992-2013) and MARC (1997-2013); and is incorporated in the Credit Risk Rating Policy.

Credit Quality Classification	Moody's	S & P	Fitch	RAM	MARC
Exceptionally Strong	Aaa to A2	AAA to A	AAA to A		
Very Strong	A3 to Baa3	A- to BBB-	A- to BBB-	AAA to AA3	AAA to AA
Strong	Ba1 to Ba2	BB+ to BB	BB+ to BB	A1 to A2	
Satisfactory	Ba3	BB-	BB-	A3 to BBB2	AA- to A+
Moderate	B1 to B2	B+ to B	B+ to B	BBB3 to BB1	A to A-
Marginal	B3	B-	B-	BB2 to B1	BBB+ to BBB-
Substandard	Caa1 to C	CCC+ to C	CCC to C	B2 to C3	BB+ to C
Impaired	D	D	D	D	D

6.0 Credit Risk Exposure under the Standardised Approach (Cont'd.)

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

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

30 SEPTEMBER 2016													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance Companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total Exposures after Netting and CRM	Total Risk Weighted Assets	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	5,695,646	25,306	-	5,341,985	-	-	-	652,304	-	-	11,715,241	-	
20%	-	8,990,563	-	5,063,973	5,864	-	-	40,330	53,390	-	14,154,120	2,830,823	
35%	-	-	-	-	-	11,036,958	-	-	-	-	11,036,958	3,862,936	
50%	-	2,406,388	-	186,460	19,307	683,286	-	-	-	-	3,295,441	1,647,721	
75%	-	-	-	-	33,326,963	-	-	-	-	-	33,326,963	24,995,223	
100%	-	-	59,295	45,758,068	3,146,021	178,529	-	2,497,989	-	3,437	51,643,339	51,643,339	
150%	-	-	-	589,314	182,898	-	139,316	-	-	-	911,528	1,367,292	
1250%	-	-	-	-	-	-	-	-	181	-	181	2,267	
Total	5,695,646	11,422,257	59,295	56,939,800	36,681,053	11,898,773	139,316	3,190,623	53,571	3,437	126,083,771	86,349,601	

31 MARCH 2016 (Restated)													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance Companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total Exposures after Netting and CRM	Total Risk Weighted Assets	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	12,012,016	24,916	-	6,022,526	-	-	-	441,669	-	-	18,501,127	-	
20%	40,971	11,917,256	-	5,418,075	3,870	-	-	-	53,195	-	17,433,367	3,486,673	
35%	-	-	-	-	-	11,032,827	-	-	-	-	11,032,827	3,861,490	
50%	-	1,812,528	-	100,015	26,220	341,032	-	-	-	-	2,279,795	1,139,898	
75%	-	-	-	-	33,172,210	-	-	-	-	-	33,172,210	24,879,157	
100%	-	161	82,875	46,101,979	2,473,012	189,683	-	3,032,362	-	4,210	51,884,282	51,884,282	
150%	-	-	4,702	537,196	162,828	-	123,223	-	-	-	827,949	1,241,923	
1250%	-	-	-	-	-	-	-	-	237	-	237	2,967	
Total	12,052,987	13,754,861	87,577	58,179,791	35,838,140	11,563,542	123,223	3,474,031	53,432	4,210	135,131,794	86,496,390	

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 SEPTEMBER 2016						
Ratings of Corporate by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	59,295	-	-	-	-	59,295
Corporates	60,164,227	3,580,915	1,507,131	614	-	55,075,567
Total	60,223,522	3,580,915	1,507,131	614	-	55,134,862

31 MARCH 2016						
Ratings of Corporate by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	87,877	-	-	-	-	87,877
Corporates	61,345,854	3,873,064	1,433,703	382	-	56,038,705
Total	61,433,731	3,873,064	1,433,703	382	-	56,126,582

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

30 SEPTEMBER 2016						
Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	5,695,646	206,668	5,488,978	-	-	-
Total	5,695,646	206,668	5,488,978	-	-	-

31 MARCH 2016						
Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	12,052,987	780,153	11,272,834	-	-	-
Total	12,052,987	780,153	11,272,834	-	-	-

30 SEPTEMBER 2016						
Ratings of Banking Institutions by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	11,422,257	3,849,546	2,648,925	776,415	-	4,147,371
Total	11,422,257	3,849,546	2,648,925	776,415	-	4,147,371

31 MARCH 2016 (Restated)						
Ratings of Banking Institutions by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	13,754,861	5,119,799	1,883,304	1,105,003	-	5,646,755
Total	13,754,861	5,119,799	1,883,304	1,105,003	-	5,646,755

Table 6.3: Securitisation according to Ratings by ECAs

30 SEPTEMBER 2016				
Ratings of Securitisation by Approved ECAs				
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	53,571	53,390	-	181
Total	53,571	53,390	-	181

31 MARCH 2016				
Ratings of Securitisation by Approved ECAs				
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	53,432	53,195	-	237
Total	53,432	53,195	-	237

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures	30 SEPTEMBER 2016		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/ Central banks	5,695,646	-	-
Banks, DFIs And MDBs	8,373,872	-	-
Insurance companies, Securities firms and Fund managers	4,219	-	-
Corporates	49,250,945	1,323,857	5,628,876
Regulatory retail	34,327,064	5,861	333,777
Residential mortgages	11,678,222	-	119,070
Higher risk assets	121,403	-	60
Other assets	3,190,623	-	-
Securitisation exposures	53,571	-	-
Equity exposures	3,437	-	-
Defaulted exposures	1,194,176	637	252,900
Total for on balance sheet exposures	113,893,178	1,330,355	6,334,683
Off balance sheet exposures			
OTC derivatives	3,539,562	-	-
Credit derivatives	12	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,128,504	15,851	1,611,541
Defaulted exposures	21,049	-	4,574
Total for off balance sheet exposures	15,689,127	15,851	1,616,115
Total on and off balance sheet exposures	129,582,305	1,346,206	7,950,798

Exposures	31 MARCH 2016 (Restated)		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/ Central banks	12,011,366	-	-
Banks, DFIs And MDBs	10,032,775	-	-
Insurance companies, securities firms and fund managers	7,201	-	-
Corporates	51,251,650	1,857,633	6,032,117
Regulatory retail	33,688,061	3,777	356,319
Residential mortgages	11,347,176	-	126,511
Higher risk assets	111,409	-	-
Other assets	3,474,031	-	-
Securitisation exposures	53,432	-	-
Equity exposures	4,210	-	-
Defaulted exposures	1,147,366	756	174,692
Total for on balance sheet exposures	123,128,677	1,862,166	6,689,639
Off balance sheet exposures			
OTC derivatives	4,513,246	-	-
Credit derivatives	42	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,897,557	44,046	1,537,823
Defaulted exposures	51,758	-	24,471
Total for off balance sheet exposures	15,462,603	44,046	1,562,294
Total on and off balance sheet exposures	138,591,280	1,906,212	8,251,933

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

Description	30 SEPTEMBER 2016			
	Principal Amount RM'000	Positive Fair Value of		Risk Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
Direct Credit Substitutes	2,398,898		2,399,746	2,023,303
Transaction related contingent Items	5,768,935		2,884,043	1,994,799
Short Term Self Liquidating trade related contingencies	698,955		139,791	105,648
Forward Asset Purchases	630,350		67,999	41,572
Obligations under on-going underwriting agreements	30,000		-	-
Foreign exchange related contracts				
One year or less	34,930,607	329,014	710,461	445,351
Over one year to five years	1,042,343	25,897	134,006	72,282
Over five years	1,905,091	351,427	731,907	407,071
Interest/Profit rate related contracts				
One year or less	5,755,881	2,516	12,577	5,601
Over one year to five years	33,644,573	222,776	1,061,395	488,389
Over five years	8,800,512	184,457	872,588	412,277
Equity and commodity related contracts				
One year or less	191,934	933	11,805	11,761
Over one year to five years	77,975	144	4,823	2,411
Credit Derivative Contracts				
Over one year to five years	347,520	13,401	12	6
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,125,893		2,589,724	2,152,839
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,941,816		3,426,785	3,230,116
Unutilised credit card lines	3,207,328		641,465	477,298
Total	121,498,611	1,130,565	15,689,127	11,870,724

Description	31 MARCH 2016			
	Principal Amount RM'000	Positive Fair Value of		Risk Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
Direct Credit Substitutes	2,267,415		2,267,415	1,909,462
Transaction related contingent Items	5,052,478		2,526,239	1,637,276
Short Term Self Liquidating trade related contingencies	649,520		129,904	104,687
Assets sold with recourse	300		300	300
Forward Asset Purchases	866,986		84,175	67,504
Obligations under an on-going underwriting agreements	73,348		-	-
Foreign exchange related contracts				
One year or less	44,413,999	1,279,777	1,798,301	846,473
Over one year to five years	1,125,883	38,416	144,281	75,319
Over five years	1,980,369	281,465	656,786	359,512
Interest/Profit rate related contracts				
One year or less	8,175,391	3,740	15,068	5,163
Over one year to five years	31,903,999	176,675	961,939	309,898
Over five years	9,773,151	149,030	920,707	230,844
Equity and commodity related contracts				
One year or less	159,622	1,878	10,617	10,617
Over one year to five years	73,572	1,133	5,547	2,774
Credit Derivative Contracts				
One year or less	337,027	485	30	15
Over one year to five years	336,367	19,493	12	6
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,703,052		2,354,026	1,929,594
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,890,326		3,017,965	2,808,385
Unutilised credit card lines	2,846,456		569,291	423,337
Total	129,629,261	1,952,092	15,462,603	10,721,166

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

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

		30 SEPTEMBER 2016		31 MARCH 2016	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	197,520	150,000	373,394	300,000

* Out of the total notional exposure for protection bought as at 30 September 2016, RM150,000,000 (31 March 2016: RM283,500,000) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

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

30 SEPTEMBER 2016				
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/ losses recognised during the year RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Corporate loans	129,863	-	59,842	-
Mortgage loans	860,258	-	854,225	-
Total Traditional Securitisation	990,121	-	914,067	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	990,121	-	914,067	-

31 MARCH 2016				
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/ losses recognised during the year RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Corporate loans	125,714	-	57,563	-
Mortgage loans	847,829	-	842,332	-
Total Traditional Securitisation	973,543	-	899,895	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	973,543	-	899,895	-

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

30 SEPTEMBER 2016							
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights			Risk Weighted Assets RM'000
				Rated Securitisation Guarantees/ 20% RM'000	Exposures or Credit Derivatives 50% RM'000	Risk weights of 1250% RM'000	
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	53,390	53,390	-	53,390	-	-	10,678
Originated by the Group							
On Balance Sheet Exposures	181	181	-	-	-	181	2,267
Total Traditional Securitisation	53,571	53,571	-	53,390	-	181	12,945

31 MARCH 2016							
Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights			Risk Weighted Assets RM'000
				Rated Securitisation Guarantees/ 20% RM'000	Exposures or Credit Derivatives 50% RM'000	Risk weights of 1250% RM'000	
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	53,195	53,195	-	53,195	-	-	10,639
Originated by the Group							
On Balance Sheet Exposures	237	237	-	-	-	237	2,968
Total Traditional Securitisation	53,432	53,432	-	53,195	-	237	13,607

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

30 SEPTEMBER 2016					
Securitisation Exposures by Exposure Type	Total exposure value of positions RM'000	Exposures subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
Traditional Securitisation					
Originated by Third Party					
On Balance Sheet by Exposure Type -others	-	-	-	-	-
Total Traditional Securitisation	-	-	-	-	-

31 MARCH 2016					
Securitisation Exposures by Exposure Type	Total exposure value of positions RM'000	Exposures subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
Traditional Securitisation					
Originated by Third Party					
On Balance Sheet by Exposure Type -others	-	-	-	-	-
Total Traditional Securitisation	-	-	-	-	-

10.0 Non-Traded Market Risk

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

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

30 SEPTEMBER 2016		
	Interest Rate / Rate of Return + 100 bps RM'000	Interest Rate / Rate of Return - 100 bps RM'000
Impact On Profit Before Taxation	85,927	(85,927)
	Interest Rate / Rate of Return + 100 bps RM'000	Interest Rate / Rate of Return - 100 bps RM'000
Impact on Equity	(505,090)	568,197

31 MARCH 2016		
	Interest Rate / Rate of Return + 100 bps RM'000	Interest Rate / Rate of Return - 100 bps RM'000
Impact On Profit Before Taxation	94,651	(94,651)
	Interest Rate / Rate of Return + 100 bps RM'000	Interest Rate / Rate of Return - 100 bps RM'000
Impact on Equity	(541,973)	608,738

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

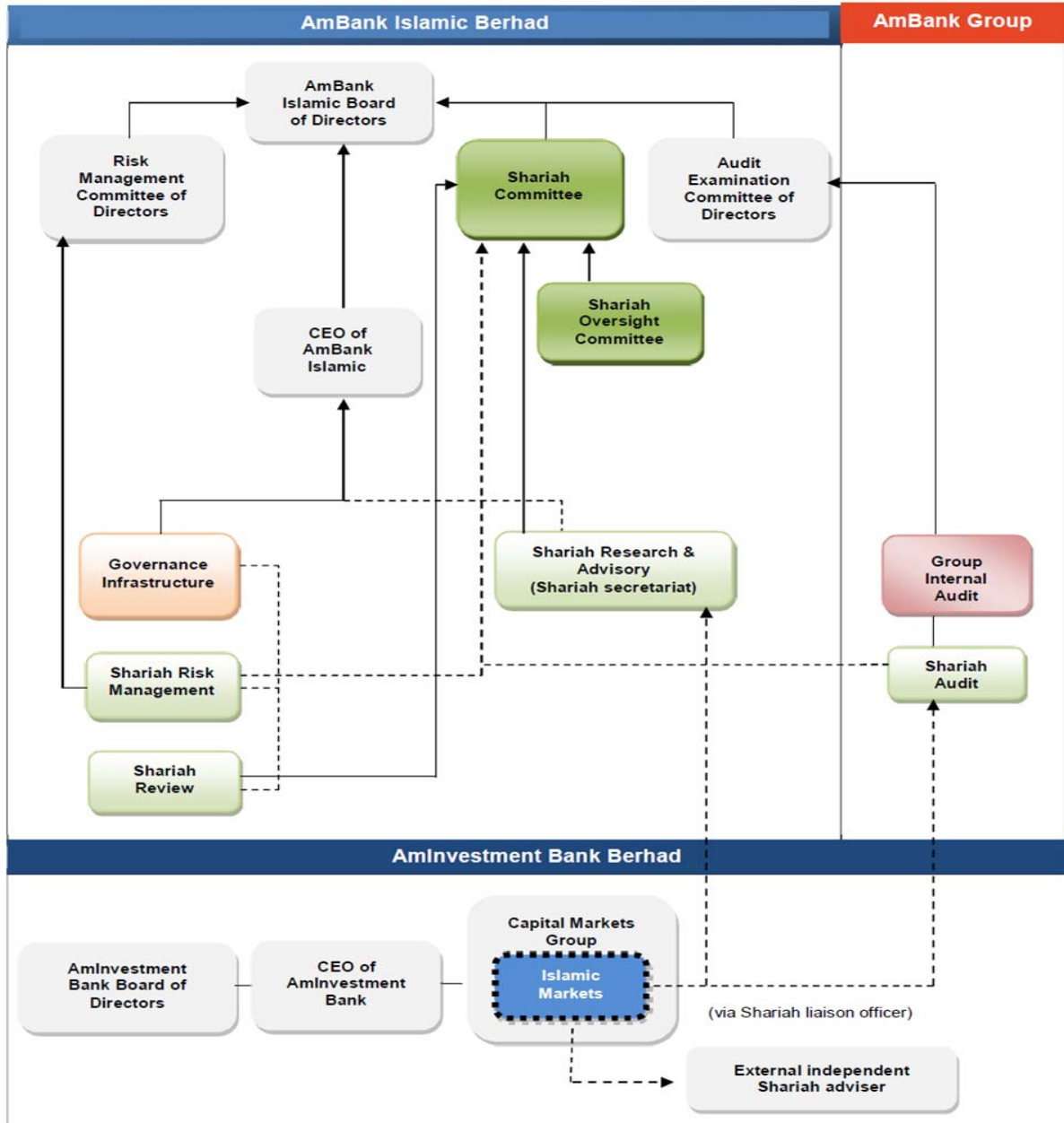
An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group is as follows:

	30 SEPTEMBER 2016	31 MARCH 2016
	RM'000	RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	151,187	141,868
Value of unquoted (privately held) equities	99,277	99,270
Total	250,464	241,138
Net realised and unrealised gains/ (losses)		
Cumulative realised gains from sales and liquidations	504	21,666
Total unrealised losses	7,092	(1,925)
Total	7,596	19,741
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	151,146	141,827
Equity investments subject to a 150% risk weight	148,978	148,965
Total	300,124	290,792
Total minimum capital requirement (8%)	24,010	23,263

12.0 Liquidity Risk and Funding Management

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

13.0 Shariah Governance Structure



13.0 Shariah Governance Structure (Cont'd.)

The Group has established a sound and robust Shariah governance structure for its Islamic banking operations in accordance with the requirements of BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure the operations and business activities of its Islamic banking operations comply with Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013 and the relevant guideline issued by Securities Commission of Malaysia ("SC").

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

Islamic Markets ("IM") of AmInvestment Bank leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee of AmBank Islamic. The Shariah governance framework for AmInvestment Bank is in place for its Islamic Banking and finance operations. IM also engages the services of independent external Shariah adviser(s) as approved by SC when necessary and will be on ad-hoc basis. During the current financial period, there were some minor refinements/enhancements to the Shariah governance structure for IM detailed below.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance pursuant to the IFSA 2013. The Board performs its oversight through various committees such as the AEC, RMCD and the Shariah Committee.

Audit and Examination Committee of Directors

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

Risk Management Committee of Directors

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

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating Islamic capital market products and services, Shariah policies and the relevant documentation in relation to the Islamic Banking operations and business activities.

Shariah Liaison Officer, IM

As per the leveraging model, IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah Secretariat in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant lines of business ("LOBs") under AmInvestment Bank with regards to Islamic capital market products and services.

Shariah Oversight Committee

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

Management

Management via IM, including the Chief Executive Officer ("CEO") of the Bank, is responsible to make reference to the Shariah Committee or external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Research & Advisory

Shariah research

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market products and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

Shariah advisory

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision / pronouncement / resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM will be in line with the Shariah Resolutions (fatwa) issued by SAC of BNM and/or the SC, at all time.

Shariah Risk Management

IM shall identify, measure, monitor and control the occurrence of Shariah non-compliance risks and to mitigate any possible non-compliant events. As per the leveraging model, the Shariah risk assessment will be reported to the Group Risk Infrastructure. Endorsement by the appointed Shariah adviser for all Islamic capital market products shall provide the assurance that the Islamic capital market product satisfies the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st- IM; 2nd Shariah adviser (Shariah committee and/or independent Shariah adviser); 3rd – Shariah Audit.

Shariah Review

IM shall review the structure, terms and conditions, documentation and issuance process of Islamic capital market products. Endorsement by the appointed Shariah adviser as part of the requirement by the SC for all the Islamic capital market products serves as assurance that the Islamic capital market products are Shariah compliant.

Shariah Audit

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

13.1 Shariah Non-Compliant incidents and income

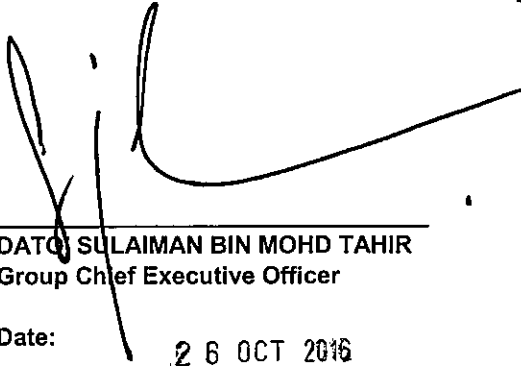
There was no Shariah non-compliant incidents and income during the financial period ended 30 September 2016 (eight Shariah non-compliant incidents for the financial year ended 31 March 2016 and involved a total income of approximately RM9.7 million) which was subsequently purified.

14.0 Attestation

Group Chief Executive Officer Declaration

Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3)

I hereby declare that the Risk Weighted Capital Adequacy Framework (Basel II) – Disclosures given in the Pillar 3 Report are, to the best of my knowledge and belief, accurate, complete and not misleading.



Handwritten signature of Datuk Sulaiman Bin Mohd Tahir, consisting of a stylized 'S' and 'M' followed by a long horizontal stroke.

DATUK SULAIMAN BIN MOHD TAHIR
Group Chief Executive Officer

Date: 26 OCT 2016