

**AmBank (M) Berhad**  
**Pillar 3 Disclosure**

**As at 30 September 2016**

**RWCAF - Pillar 3 Disclosure  
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") - Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA"). 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 ("the Bank"), AmInvestment Bank Berhad ("AmInvestment") 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 the Group and the Bank. The information provided has been verified by the Group internal auditors and certified by the Chief Executive Officer.

### Capital Adequacy Ratios

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

The Group and the Bank has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

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 remained at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8% for total capital ratio. Banking institutions 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:

	<b>CCB</b>
<b>Calendar year 2016</b>	0.625%
<b>Calendar year 2017</b>	1.25%
<b>Calendar year 2018</b>	1.875%
<b>Calendar year 2019 onwards</b>	2.5%

### 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 period.

### Medium and Location of Disclosure

These Pillar 3 disclosure of the Group are available on the Group's corporate website at [www.ambankgroup.com](http://www.ambankgroup.com).

## 1.1 Basis of Consolidation

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

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

Type of entity	Accounting treatment	
	Statutory reporting	Basel III regulatory reporting
Subsidiaries licensed under FSA or engaged in financial activities	Fully consolidated	Deducted from capital at the Bank level; fully consolidated in the calculation of capital adequacy at the Bank consolidated level.
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the Bank level; consolidated in calculation of capital adequacy at the Bank consolidated level.
Associates which are licensed under FSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital.
Associates which are not licensed under FSA 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 approval of the 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 holdings berhad 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.

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.

## **2.0 Capital Management (Cont'd.)**

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 requirement. 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.

## 2.0 Capital Management (Cont'd.)

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 Ratio**

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

	Group		Bank	
	30 September 2016	31 March 2016	30 September 2016	31 March 2016 (Restated)*
<b>Before deducting proposed dividends:</b>				
CET 1 Capital ratio	12.158%	11.701%	11.482%	11.108%
Tier 1 Capital ratio	13.638%	13.182%	12.946%	12.580%
Total Capital ratio	16.927%	16.435%	16.196%	15.792%
<b>After deducting proposed dividends:</b>				
CET 1 Capital ratio	11.899%	11.257%	11.227%	10.667%
Tier 1 Capital ratio	13.379%	12.738%	12.690%	12.139%
Total Capital ratio	16.668%	15.991%	15.940%	15.351%

As part of an arrangement between the Bank and AmBank Islamic Berhad ("AmBank Islamic") in relation to a Restricted Investment Account ("RIA") agreement, the Bank 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 the Bank and AmBank Islamic to finance a specific business venture whereby the Bank solely provides capital and the business ventures are managed solely by the AmBank Islamic as the entrepreneur. The RIA exposes the Bank to the risks and rewards of the financing, and accordingly the Bank 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 for the Group and the Bank amounted to 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.

\* The restated comparative capital adequacy ratios of the Bank were due to the effect of the pooling interests method arising from the transfer of card operations from its wholly-owned subsidiary, AmCard Services Berhad.

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

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

30 September 2016 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
<b>1. Credit risk</b>					
<b>On balance sheet exposures</b>					
Sovereigns/Central banks	2,781,665		2,781,665	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	6,132,977		6,132,977	1,271,818	101,745
Insurance companies, Securities firms and Fund managers	4,219		4,219	4,219	337
Corporates	33,017,241		31,624,539	25,401,441	2,032,115
Regulatory retail	21,890,785		21,146,033	16,428,807	1,314,305
Residential mortgages	11,450,509		11,430,666	4,092,588	327,407
Higher risk assets	109,014		108,998	163,496	13,080
Other assets	2,315,415		2,315,415	1,663,114	133,049
Securitisation exposures	53,571		53,571	12,945	1,036
Equity exposures	3,437		3,437	3,437	275
Defaulted exposures	711,575		695,365	813,462	65,077
<b>Total on balance sheet exposures</b>	<b>78,470,408</b>		<b>76,296,885</b>	<b>49,855,327</b>	<b>3,988,426</b>
<b>Off balance sheet exposures</b>					
Over the counter ("OTC") derivatives	3,444,863		3,444,863	1,785,439	142,835
Credit derivatives	12		12	6	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,033,303		9,316,887	8,174,933	653,995
Defaulted exposures	13,456		13,359	20,038	1,603
<b>Total off balance sheet exposures</b>	<b>13,491,634</b>		<b>12,775,121</b>	<b>9,980,416</b>	<b>798,433</b>
<b>Total on and off balance sheet exposures</b>	<b>91,962,042</b>		<b>89,072,006</b>	<b>59,835,743</b>	<b>4,786,859</b>
<b>2. Large exposure risk requirement</b>	-		-	-	-
<b>3. Market risk</b>	<b>Long position</b>	<b>Short position</b>			
Interest rate risk					
- General interest rate risk	80,618,805	78,647,740		1,791,566	143,325
- Specific interest rate risk	3,018,373	1,051,656		137,386	10,991
Foreign currency risk	172,245	201,357		206,843	16,547
Equity risk					
- General risk	109,493	-		109,493	8,759
- Specific risk	109,493	-		76	6
Option risk	629,378	366,885		5,813	465
<b>Total</b>	<b>84,657,787</b>	<b>80,267,638</b>		<b>2,251,177</b>	<b>180,093</b>
<b>4. Operational risk</b>				4,494,377	359,550
<b>5. Total RWA and capital requirements</b>				<b>66,581,297</b>	<b>5,326,502</b>

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

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

31 March 2016 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1. Credit risk</b>					
<b>On balance sheet exposures</b>					
Sovereigns/Central banks	6,856,897		6,856,897	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	7,120,476		7,120,476	1,464,431	117,154
Insurance companies, Securities firms and Fund managers	7,201		7,201	7,201	576
Corporates	33,694,177		32,590,599	26,380,795	2,110,464
Regulatory retail	20,825,718		19,849,971	15,555,106	1,244,408
Residential mortgages	11,137,520		11,114,976	3,932,125	314,570
Higher risk assets	99,589		99,589	149,384	11,951
Other assets	2,376,414		2,376,414	1,934,749	154,780
Securitisation exposures	53,432		53,432	13,607	1,089
Equity exposures	4,210		4,210	4,210	337
Defaulted exposures	669,831		654,999	738,328	59,066
<b>Total on balance sheet exposures</b>	<b>82,845,465</b>		<b>80,728,764</b>	<b>50,179,936</b>	<b>4,014,395</b>
<b>Off balance sheet exposures</b>					
Over the counter ("OTC") derivatives	4,380,669		4,380,669	1,759,451	140,756
Credit derivatives	42		42	21	2
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,040,740		8,362,439	7,288,856	583,108
Defaulted exposures	51,180		31,873	47,809	3,825
<b>Total off balance sheet exposures</b>	<b>13,472,631</b>		<b>12,775,023</b>	<b>9,096,137</b>	<b>727,691</b>
<b>Total on and off balance sheet exposures</b>					
	<b>96,318,096</b>		<b>93,503,787</b>	<b>59,276,073</b>	<b>4,742,086</b>
	<b>Long position</b>	<b>Short position</b>			
<b>2. Market risk</b>					
Interest rate risk					
- General interest rate risk	90,788,748	89,353,232		1,843,501	147,480
- Specific interest rate risk	2,438,594	840,265		125,991	10,079
Foreign currency risk	94,516	64,978		94,516	7,561
Equity risk					
- General risk	142,335	10,790		131,545	10,524
- Specific risk	142,335	10,790		29,419	2,354
Option risk	644,033	469,892		6,200	496
<b>Total</b>	<b>94,250,561</b>	<b>90,749,947</b>		<b>2,231,172</b>	<b>178,494</b>
<b>3. Operational risk</b>				5,029,942	402,395
<b>4. Total RWA and capital requirements</b>				<b>66,537,187</b>	<b>5,322,975</b>

For 30 September 2016 and 31 March 2015, the Group does not have Restricted Investment Account ("RIA") that qualifies as a risk absorbent.

### 3.0 Capital Structure

The capital structure of the Group and the Bank includes capital under the following headings:

- CET 1 Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital.

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The Additional Tier 1 and Tier 2 Capital instruments of the Group and the Bank 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 the Group and the Bank 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 Bank to continue trading. It can only be redeemed on the winding up of the Bank.

#### b) Share Premium

Share premium is used to record premium arising from new shares issued by the Bank.

#### 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.

### 3.1 CET 1 Capital (Cont'd.)

#### 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 is not distributable as cash dividends.

##### ii) Merger Reserve

The merger reserve represents reserve 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.

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

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

##### v) Cash Flow Hedging Reserve/(Deficit)

This account relates to the amount of the hedging of the items that are not fair valued in the statement of financial position (including projected cash flows). 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.

### 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 Group and the Bank for 2013, has been capped at 90% of the total qualifying Additional Tier 1 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 balance outstanding as at 1 January 2013. This is in accordance to the transitional gradual phase-out treatment under the Basel III regime. Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 Capital Instruments of the Group and the Bank. Details of the Additional Tier 1 Capital Instruments are outlined below.

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

<b>Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013</b>	
<b>Instruments</b>	<b>RM'000</b>
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
<b>Total qualifying base</b>	<b>1,735,100</b>

Note 1

<b>Calendar year</b>	<b>Cap on Additional Tier 1 Capital Instruments that can be recognised in capital adequacy computation each year</b>	
	<b>Cap (%)</b>	<b>Cap (RM'000)</b>
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%	-

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:

#### Innovative Tier 1 Capital Securities

On 18 August 2009, the Bank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bear 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 tenure 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 the Bank's ordinary shares. Upon BNM's approval, the Bank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

#### Non-innovative Tier 1 Capital

In the financial year ended 31 March 2009, the Bank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

- Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank

(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 Sub-Notes will be assigned to the Bank pursuant to the forward purchase contract entered into by the Bank 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 the Bank 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 the Bank 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 tenure 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 the Bank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. 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 allowance 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 Group and the Bank 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 to the transitional gradual phase-out treatment under the Basel III regime. Table 3.2 outlines the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for the Group and the Bank. Details of the Tier 2 Capital Instruments are outlined below.

**Table 3.2: Tier 2 Capital Instruments of the Group and the Bank 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	Note 1 (b)
MTN - Tranche 3	75,000	Note 1 (c)
MTN - Tranche 4	45,000	Note 1 (d)
MTN - Tranche 5	75,000	Note 1 (e)
MTN - Tranche 6	600,000	
MTN - Tranche 7	97,800	Note 1 (f)
MTN - Tranche 8	710,000	
<b>Total qualifying base</b>	<b>1,967,800</b>	

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

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.

#### Medium Term Notes

In the financial year ended 31 March 2008, the Bank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby 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 tenure 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.

### 3.3 Tier 2 Capital (Cont'd.)

#### Medium Term Notes (Cont'd.)

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

#### Basel III Subordinated Notes

On 30 December 2013, the Bank 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 the Bank'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 tenure 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 tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche.

The 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	Tenure	Interest Rate	Nominal value outstanding (RM million)
30 December 2013	31 December 2018	10 years Non-Callable 5 years	5.20% per annum	400
<b>Total</b>				<b>400</b>

**Table 3.3: Capital Structure**

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

	Group		Bank	
	30 September 2016	31 March 2016	30 September 2016	31 March 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
<b>CET 1 Capital</b>				
Ordinary shares	820,364	820,364	820,364	820,364
Share premium	942,844	942,844	942,844	942,844
Retained earnings	5,501,945	5,335,746	5,246,699	5,080,500
Available-for-sale reserve	53,490	11,751	54,041	11,951
Foreign currency translation reserve	91,211	63,306	86,765	61,296
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	104,149	104,149	-	30,043
Cash flow hedging reserve	65	3,635	65	3,635
Qualifying non controlling interests	-	2	-	-
Less: Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(370,504)	(350,753)	(370,501)	(350,750)
Deferred tax assets	-	(116,234)	-	(115,179)
55% of cumulative gains of available-for-sale financial instruments	(29,419)	(6,463)	(29,723)	(6,573)
Cash flow hedging reserve	(65)	(3,635)	(65)	(3,635)
Investment in ordinary shares of unconsolidated financial entities	-	-	(5,106)	(23,106)
<b>Total CET 1 Capital</b>	<b>8,095,049</b>	<b>7,785,681</b>	<b>7,726,352</b>	<b>7,432,359</b>
<b>Additional Tier 1 Capital</b>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	985,000	985,000	985,000
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	5	-	-	-
<b>Total Tier 1 Capital</b>	<b>9,080,054</b>	<b>8,770,681</b>	<b>8,711,352</b>	<b>8,417,359</b>
<b>Tier 2 Capital</b>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	400,000	400,000	400,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	1,180,680	1,180,680	1,180,680
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserve	609,435	583,699	609,413	583,675
Less: Regulatory adjustments applied on Tier 2 Capital	-	-	(3,404)	(15,404)
<b>Total Tier 2 Capital</b>	<b>2,190,116</b>	<b>2,164,380</b>	<b>2,186,689</b>	<b>2,148,951</b>
<b>Total Capital</b>	<b>11,270,170</b>	<b>10,935,061</b>	<b>10,898,041</b>	<b>10,566,310</b>

The breakdown of the risk weighed assets ("RWA") in various categories of risk are as follows:

	Group		Bank	
	30 September 2016	31 March 2016	30 September 2016	31 March 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Credit RWA	59,835,743	59,276,073	60,602,425	60,047,250
Market RWA	2,251,177	2,231,172	2,250,775	2,231,172
Operational RWA	4,494,377	5,029,942	4,434,991	4,629,614
<b>Total RWA</b>	<b>66,581,297</b>	<b>66,537,187</b>	<b>67,288,191</b>	<b>66,908,036</b>

#### **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 CET 1 Capital, 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 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 Management Risk 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:

<b>Identification</b>	➔	<ul style="list-style-type: none"> <li>Identify/recognise credit risk on transactions and/or positions</li> <li>Select asset and portfolio mix</li> </ul>
<b>Assessment/ Measurement</b>	➔	<ul style="list-style-type: none"> <li>Internal credit rating system</li> <li>Probability of default ("PD")</li> <li>Loss given default ("LGD")</li> <li>Exposure at default ("EAD")</li> </ul>
<b>Control/ Mitigation</b>	➔	<ul style="list-style-type: none"> <li>Portfolio Limits, Counterparty Limits,</li> <li>Wholesale Pricing</li> <li>Collateral and tailored facility structures</li> </ul>
<b>Monitoring/ Review</b>	➔	<ul style="list-style-type: none"> <li>Monitor and report portfolio mix</li> <li>Review customers under Classified Account</li> <li>Review customers under Rescheduled and Restructured Account</li> <li>Undertake post mortem credit review</li> </ul>

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

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 ("GRAF") 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.

## 5.0 Credit Risk Management (Cont'd.)

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

Lending 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 to Value limits for asset backed loans (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 pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans 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 the 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 GMRC regularly meets to review the quality and diversification of the Group's loan 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 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 and advances

All loans and advances are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired

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

A loan is classified as impaired under the following circumstances:

- (a) where the principal or interest or both is past due<sup>1</sup> or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation<sup>2</sup>; or
- (b) for loans where repayments are scheduled on intervals of 3 months or longer, the loan is to be classified as impaired 1+30 days or 1day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default<sup>3</sup>).
- (c) for trade bills/facilities, an account is deemed defaulted and impaired when the past due is 90 days from due date of the bill.
- (d) a loan may also be classified as impaired:
  - i. if it is probable that the Group and the Bank will be unable to collect all amounts due (including both interest 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 obligation of a customer triggers a default of another loan obligation of the same customer or
    - a default of a loan obligation of a customer triggers a default of a loan obligation of other customers within the same customer 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.

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

<sup>2</sup> Material obligation as determined by Management. Current "material" threshold is set at more than RM200.00

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

## 5.1 Impairment (Cont'd)

### 5.1.1 Definition of past due and impaired loans and advances (Cont'd.)

- (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 Agent<sup>4</sup> 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) the loan is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS")

### 5.1.2 Methodology for Determination of Individual and Collective Allowances

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

#### Individual Assessment

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

##### (a) Trigger management

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

##### (b) Valuation of assets

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

#### Collective Assessment

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

With effect from 31 December 2015, the Bank is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans<sup>5</sup> net of individual impairment.

<sup>4</sup> In 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.

<sup>5</sup> Excluding loans with an explicit guarantee from the Government of Malaysia

**Table 5.1 : Distribution of gross credit exposures by sector**

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

30 September 2016															Total
	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On balance sheet exposures</b>															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	2,781,665	-	-	-	-	-	2,781,665
Banks, DFIs and MDBs	-	-	-	-	-	-	-	6,122,354	-	-	-	10,623	-	-	6,132,977
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	4,219	-	-	-	-	-	-	4,219
Corporates	2,181,883	1,197,690	6,006,032	573,887	4,388,016	3,659,132	923,873	4,195,747	-	5,970,485	422,247	2,196,453	1,214,893	86,903	33,017,241
Regulatory retail	29,241	14,927	193,940	3,153	139,113	235,983	60,125	184,010	-	101,816	91,529	67,919	20,752,966	16,063	21,890,785
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	11,450,509	-	11,450,509
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	20,556	88,458	109,014
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	2,315,415	2,315,415
Securitisation exposures	-	-	-	-	-	-	-	31,355	-	22,216	-	-	-	-	53,571
Equity exposures	-	-	8	-	-	-	-	3,304	-	-	-	-	-	125	3,437
Defaulted exposures	984	70,327	32,222	171	23,620	25,456	6,677	-	-	96,226	3,537	6,198	442,694	3,463	711,575
<b>Total for on balance sheet exposures</b>	<b>2,212,108</b>	<b>1,282,944</b>	<b>6,232,202</b>	<b>577,211</b>	<b>4,550,749</b>	<b>3,920,571</b>	<b>990,675</b>	<b>10,540,989</b>	<b>2,781,665</b>	<b>6,190,743</b>	<b>517,313</b>	<b>2,281,193</b>	<b>33,881,618</b>	<b>2,510,427</b>	<b>78,470,408</b>
<b>Off balance sheet exposures</b>															
OTC derivatives	13,718	266,296	135,272	-	-	5,210	72,362	2,938,094	-	13,419	69	423	-	-	3,444,863
Credit derivatives	-	-	-	-	-	-	-	12	-	-	-	-	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	210,341	369,894	1,489,523	279,501	2,153,011	768,905	330,099	689,670	-	1,233,023	172,035	271,606	2,060,843	4,852	10,033,303
Defaulted exposures	-	-	12,119	-	37	104	-	1,044	-	-	3	64	4	81	13,456
<b>Total for off balance sheet exposures</b>	<b>224,059</b>	<b>636,190</b>	<b>1,636,914</b>	<b>279,501</b>	<b>2,153,048</b>	<b>774,219</b>	<b>402,461</b>	<b>3,628,820</b>	<b>-</b>	<b>1,246,442</b>	<b>172,107</b>	<b>272,093</b>	<b>2,060,847</b>	<b>4,933</b>	<b>13,491,634</b>
<b>Total on and off balance sheet exposures</b>	<b>2,436,167</b>	<b>1,919,134</b>	<b>7,869,116</b>	<b>856,712</b>	<b>6,703,797</b>	<b>4,694,790</b>	<b>1,393,136</b>	<b>14,169,809</b>	<b>2,781,665</b>	<b>7,437,185</b>	<b>689,420</b>	<b>2,553,286</b>	<b>35,942,465</b>	<b>2,515,360</b>	<b>91,962,042</b>

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

The distribution of credit exposures by sector of the Group is as follows (Cont'd.):

31 March 2016															Total
	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On balance sheet exposures</b>															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	6,856,897	-	-	-	-	-	6,856,897
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,048,909	-	-	-	71,567	-	-	7,120,476
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	7,201	-	-	-	-	-	-	7,201
Corporates	2,378,421	1,399,114	6,000,038	582,943	3,848,448	3,550,551	1,216,908	4,556,283	-	6,306,519	424,358	2,113,001	1,217,879	99,714	33,694,177
Regulatory retail	32,839	15,449	198,532	3,198	132,177	216,577	63,537	187,452	-	94,571	84,706	74,442	19,703,698	18,540	20,825,718
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	11,137,520	-	11,137,520
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	11,139	88,450	99,589
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	2,376,414	2,376,414
Securitisation exposures	-	-	-	-	-	-	-	31,181	-	22,251	-	-	-	-	53,432
Equity exposures	-	-	8	-	-	-	-	4,066	-	-	-	-	-	136	4,210
Defaulted exposures	2,679	388	51,767	345	32,027	36,669	8,173	7	-	98,583	2,677	5,987	419,082	11,447	669,831
<b>Total for on balance sheet exposures</b>	<b>2,413,939</b>	<b>1,414,951</b>	<b>6,250,345</b>	<b>586,486</b>	<b>4,012,652</b>	<b>3,803,797</b>	<b>1,288,618</b>	<b>11,835,099</b>	<b>6,856,897</b>	<b>6,521,924</b>	<b>511,741</b>	<b>2,264,997</b>	<b>32,489,318</b>	<b>2,594,701</b>	<b>82,845,465</b>
<b>Off balance sheet exposures</b>															
OTC derivatives	58,395	226,195	145,014	-	293	16,723	89,165	3,830,793	-	12,740	847	504	-	-	4,380,669
Credit derivatives	-	-	-	-	-	-	-	42	-	-	-	-	-	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	192,103	399,954	1,509,913	274,441	1,652,870	680,518	257,135	604,077	-	1,141,086	143,088	278,049	1,902,699	4,807	9,040,740
Defaulted exposures	-	-	1,832	-	688	43,007	500	5,000	-	-	3	1	32	117	51,180
<b>Total for off balance sheet exposures</b>	<b>250,498</b>	<b>626,149</b>	<b>1,656,759</b>	<b>274,441</b>	<b>1,653,851</b>	<b>740,248</b>	<b>346,800</b>	<b>4,439,912</b>	<b>-</b>	<b>1,153,826</b>	<b>143,938</b>	<b>278,554</b>	<b>1,902,731</b>	<b>4,924</b>	<b>13,472,631</b>
<b>Total on and off balance sheet exposures</b>	<b>2,664,437</b>	<b>2,041,100</b>	<b>7,907,104</b>	<b>860,927</b>	<b>5,666,503</b>	<b>4,544,045</b>	<b>1,635,418</b>	<b>16,275,011</b>	<b>6,856,897</b>	<b>7,675,750</b>	<b>655,679</b>	<b>2,543,551</b>	<b>34,392,049</b>	<b>2,599,625</b>	<b>96,318,096</b>

**Table 5.2 : Impaired and past due loans and advances, individual and collective allowances by sector**

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

30 September 2016	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	1,053	91,148	14,623	15	9,101	27,525	6,811	452	145,849	5,909	3,204	538,264	6,449	-	850,403
Past due loans	10,067	22,856	246,258	630	41,181	62,289	30,245	2,077	160,351	26,708	15,119	6,615,856	13,652	-	7,247,289
Individual allowance	-	21,161	2,329	-	142	4,819	477	-	38,376	2,394	-	7,158	436	-	77,292
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	735,813	735,813
Charges/(writeback) for individual allowance	-	16,564	(618)	-	(11,088)	1,619	832	-	(3,558)	(539)	-	(6,236)	34	-	(2,990)
Write-offs against individual allowance/ other movements	-	162	118,925	-	192	-	9,790	-	41,785	167	-	-	-	-	171,021

31 March 2016	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	2,272	84,987	155,617	265	45,620	29,332	18,272	477	193,236	5,830	3,738	547,732	6,025	-	1,093,403
Past due loans	9,219	28,564	200,427	1,085	70,843	79,496	63,451	4,147	236,525	24,924	18,039	6,151,931	35,471	-	6,924,122
Individual allowance	-	11,847	121,872	-	11,422	3,200	9,435	-	83,719	3,100	-	6,306	402	-	251,303
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	730,849	730,849
Charges/(writeback) for individual allowance	-	5,898	22,534	-	11,261	1,188	9,487	-	58,673	(442)	(442)	2,822	402	-	111,381
Write-offs against individual allowance	-	-	10,663	-	2,249	6,134	2,370	-	-	266	536	5,317	-	-	27,535

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

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

30 September 2016	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On balance sheet exposures</b>			
Sovereigns/Central banks	2,574,997	206,668	2,781,665
Banks, DFIs and MDBs	5,101,732	1,031,245	6,132,977
Insurance companies, Securities firms and Fund managers	4,219	-	4,219
Corporates	30,909,505	2,107,736	33,017,241
Regulatory retail	21,888,239	2,546	21,890,785
Residential mortgages	11,450,509	-	11,450,509
Higher risk assets	108,973	41	109,014
Other assets	2,106,350	209,065	2,315,415
Securitisation exposures	53,571	-	53,571
Equity exposures	3,437	-	3,437
Defaulted exposures	623,181	88,394	711,575
<b>Total for on balance sheet exposures</b>	<b>74,824,713</b>	<b>3,645,695</b>	<b>78,470,408</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	3,444,863	-	3,444,863
Credit derivatives	12	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,358,638	674,665	10,033,303
Defaulted exposures	13,456	-	13,456
<b>Total for off balance sheet exposures</b>	<b>12,816,969</b>	<b>674,665</b>	<b>13,491,634</b>
<b>Total on and off balance sheet exposures</b>	<b>87,641,682</b>	<b>4,320,360</b>	<b>91,962,042</b>

**Table 5.3 : Geographical distribution of credit exposures (Cont'd.)**

The geographic distribution of credit exposures of the Group is as follows (Cont'd.):

31 March 2016	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On balance sheet exposures</b>			
Sovereigns/Central banks	6,076,744	780,153	6,856,897
Banks, DFIs and MDBs	5,405,536	1,714,940	7,120,476
Insurance companies, Securities firms and Fund managers	7,201	-	7,201
Corporates	30,981,255	2,712,922	33,694,177
Regulatory retail	20,822,551	3,167	20,825,718
Residential mortgages	11,137,520	-	11,137,520
Higher risk assets	99,550	39	99,589
Other assets	2,281,888	94,526	2,376,414
Securitisation exposures	53,432	-	53,432
Equity exposures	4,210	-	4,210
Defaulted exposures	669,725	106	669,831
<b>Total for on balance sheet exposures</b>	<b>77,539,612</b>	<b>5,305,853</b>	<b>82,845,465</b>
<b>Off balance sheet exposures</b>			
OTC derivatives	4,380,669	-	4,380,669
Credit derivatives	42	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	8,335,585	705,155	9,040,740
Defaulted exposures	51,180	-	51,180
<b>Total for off balance sheet exposures</b>	<b>12,767,476</b>	<b>705,155</b>	<b>13,472,631</b>
<b>Total on and off balance sheet exposures</b>	<b>90,307,088</b>	<b>6,011,008</b>	<b>96,318,096</b>

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

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

<b>30 September 2016</b>	<b>In Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
Impaired loans and advances	745,424	104,979	850,403
Past due loans	7,225,312	21,977	7,247,289
Individual allowance	60,645	16,647	77,292
Collective allowance	729,387	6,426	735,813

<b>31 March 2016</b>	<b>In Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
Impaired loans and advances	992,117	101,286	1,093,403
Past due loans	6,924,122	-	6,924,122
Individual allowance	241,839	9,464	251,303
Collective allowance	713,941	16,908	730,849

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

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

<b>30 September 2016</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 month to 3 months RM'000</b>	<b>&gt;3 months to 6 months RM'000</b>	<b>&gt;6 months to 12 months RM'000</b>	<b>&gt;1 year to 3 years RM'000</b>	<b>&gt;3 years to 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity specified RM'000</b>	<b>Total RM'000</b>
<b>On balance sheet exposures</b>									
Sovereigns/Central banks	7,540	369,259	-	-	103,310	-	2,301,556	-	2,781,665
Banks, DFIs and MDBs	2,924,933	2,408,183	359,084	101,612	259,805	12,545	66,815	-	6,132,977
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	4,219	-	4,219
Corporates	8,781,313	2,537,086	1,500,993	986,634	3,249,081	4,169,168	11,792,966	-	33,017,241
Regulatory retail	1,239,104	48,776	64,561	219,189	1,837,243	3,174,873	15,307,039	-	21,890,785
Residential mortgages	514	449	901	4,391	52,801	129,385	11,262,068	-	11,450,509
Higher risk assets	66	17	-	100	553	783	19,037	88,458	109,014
Other assets	773,633	4,246	3,113	6,011	269,216	-	-	1,259,196	2,315,415
Securitisation exposures	30	-	-	-	-	-	53,541	-	53,571
Equity exposures	3,304	-	-	-	-	-	8	125	3,437
Defaulted exposures	100,103	9,909	9,320	9,191	101,925	48,483	432,644	-	711,575
<b>Total for on balance sheet exposures</b>	<b>13,830,540</b>	<b>5,377,925</b>	<b>1,937,972</b>	<b>1,327,128</b>	<b>5,873,934</b>	<b>7,535,237</b>	<b>41,239,893</b>	<b>1,347,779</b>	<b>78,470,408</b>
<b>Off balance sheet exposures</b>									
OTC derivatives	65,568	232,186	141,021	239,466	353,093	833,534	1,579,995	-	3,444,863
Credit derivatives	-	-	-	-	-	12	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,461,612	1,292,038	916,999	1,248,442	1,647,466	305,990	3,160,756	-	10,033,303
Defaulted exposures	49	-	-	32	50	12,000	1,325	-	13,456
<b>Total for off balance sheet exposures</b>	<b>1,527,229</b>	<b>1,524,224</b>	<b>1,058,020</b>	<b>1,487,940</b>	<b>2,000,609</b>	<b>1,151,536</b>	<b>4,742,076</b>	<b>-</b>	<b>13,491,634</b>
<b>Total on and off balance sheet exposures</b>	<b>15,357,769</b>	<b>6,902,149</b>	<b>2,995,992</b>	<b>2,815,068</b>	<b>7,874,543</b>	<b>8,686,773</b>	<b>45,981,969</b>	<b>1,347,779</b>	<b>91,962,042</b>

**Table 5.5 : Residual contractual maturity by major types of credit exposure (Cont'd.)**

The residual contractual maturity by major types of gross credit exposures of the Group is as follows (Cont'd.):

31 March 2016	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
<b>On balance sheet exposures</b>									
Sovereigns/Central banks	3,188,593	900,005	-	163,261	-	112,373	2,492,665	-	6,856,897
Banks, DFIs and MDBs	5,806,182	813,045	102,716	155,178	116,158	30,516	96,681	-	7,120,476
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	7,201	-	7,201
Corporates	9,419,863	2,474,496	1,257,199	753,743	3,653,481	4,252,646	11,882,749	-	33,694,177
Regulatory retail	1,254,071	62,963	88,100	198,669	1,929,858	3,376,442	13,915,615	-	20,825,718
Residential mortgages	312	317	995	4,592	54,524	125,471	10,951,309	-	11,137,520
Higher risk assets	26	-	4	71	488	394	10,156	88,450	99,589
Other assets	578,342	5,047	5,404	8,860	284,470	-	-	1,494,291	2,376,414
Securitisation exposures	40	-	-	-	-	-	53,392	-	53,432
Equity exposures	4,066	-	-	-	-	-	7	137	4,210
Defaulted exposures	96,692	26,814	16,581	8,476	93,014	44,899	383,355	-	669,831
<b>Total for on balance sheet exposures</b>	<b>20,348,187</b>	<b>4,282,687</b>	<b>1,470,999</b>	<b>1,292,850</b>	<b>6,131,993</b>	<b>7,942,741</b>	<b>39,793,130</b>	<b>1,582,878</b>	<b>82,845,465</b>
<b>Off balance sheet exposures</b>									
OTC derivatives	223,454	417,357	722,467	374,736	335,403	757,758	1,549,494	-	4,380,669
Credit derivatives	-	23	7	-	-	12	-	-	42
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,130,509	939,683	906,911	1,826,859	1,684,197	380,208	2,172,373	-	9,040,740
Defaulted exposures	14,495	1,181	23,543	10,248	280	-	1,433	-	51,180
<b>Total for off balance sheet exposures</b>	<b>1,368,458</b>	<b>1,358,244</b>	<b>1,652,928</b>	<b>2,211,843</b>	<b>2,019,880</b>	<b>1,137,978</b>	<b>3,723,300</b>	<b>-</b>	<b>13,472,631</b>
<b>Total on and off balance sheet exposures</b>	<b>21,716,645</b>	<b>5,640,931</b>	<b>3,123,927</b>	<b>3,504,693</b>	<b>8,151,873</b>	<b>9,080,719</b>	<b>43,516,430</b>	<b>1,582,878</b>	<b>96,318,096</b>

**Table 5.6 : Reconciliation of changes to loans impairment allowances**

The reconciliation of changes to loans impairment allowances of the Group are as follows:

	Collective impairment allowance		Individual impairment allowances	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
<b>Balance at beginning of the financial year</b>	730,849	953,660	251,303	167,457
Charge for the financial period/ year, net	157,566	185,846	(2,990)	111,381
Amount transferred to AmBank Islamic	-	(17) *	-	-
Amount written-off	(153,772)	(409,920)	(171,521)	(27,535)
Foreign exchange differences	1,170	1,280	500	-
<b>Balance at end of the financial period/year **</b>	<b>735,813</b>	<b>730,849</b>	<b>77,292</b>	<b>251,303</b>
			<b>(Charge offs)/ recoveries</b>	
			<b>30 September 2016 RM'000</b>	<b>31 March 2016 RM'000</b>
Bad debts written off during the financial period/year			(44,784)	(106,815)
Bad debt recoveries during the financial period/year			283,697	562,621

\* On 31 December 2015, a contract for the sum of RM300.0 million was entered into by the Bank with AmBank Islamic. Arising from this new contract, AmBank Islamic transferred collective allowance of RM2.46 million for the financing funded by the Bank. On 15 March 2016, AmBank early redeemed the RIA and derecognised the collective allowance previously recognised in its financial statements of RM2.48 million.

\*\* As at 30 September 2016, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank amounted to RM1.003.7 million and RM1.5 million (31 March 2016: RM1.004.0 million and RM1.5 million) respectively are included in the Group and the Bank's collective allowance.

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 the 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 (1998-2013); 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

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

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

30 September 2016	Exposures after netting and credit risk mitigation											
	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,781,665	5,207	-	2,841,192	-	-	-	652,301	-	-	6,280,365	-
20%	-	6,855,531	-	4,158,348	5,392	-	-	-	53,390	-	11,072,661	2,214,532
35%	-	-	-	-	-	10,848,159	-	-	-	-	10,848,159	3,796,856
50%	-	2,250,024	-	162,960	13,663	638,705	-	-	-	-	3,065,352	1,532,676
75%	-	-	-	-	23,049,457	-	-	-	-	-	23,049,457	17,287,093
100%	-	-	59,295	31,719,465	641,963	175,580	-	1,663,114	-	3,437	34,262,854	34,262,854
150%	-	-	-	243,802	122,672	-	126,503	-	-	-	492,977	739,465
1250%	-	-	-	-	-	-	-	-	181	-	181	2,267
<b>Total</b>	<b>2,781,665</b>	<b>9,110,762</b>	<b>59,295</b>	<b>39,125,767</b>	<b>23,833,147</b>	<b>11,662,444</b>	<b>126,503</b>	<b>2,315,415</b>	<b>53,571</b>	<b>3,437</b>	<b>89,072,006</b>	<b>59,835,743</b>

31 March 2016	Exposures after netting and credit risk mitigation											
	Sovereigns and Central banks	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,857,547	5,088	-	2,856,573	-	-	-	441,665	-	-	10,160,873	-
20%	40,971	9,247,558	-	4,099,844	3,362	-	-	-	53,195	-	13,444,930	2,688,986
35%	-	-	-	-	-	10,853,793	-	-	-	-	10,853,793	3,798,828
50%	-	1,480,488	-	82,584	16,507	308,339	-	-	-	-	1,887,918	943,959
75%	-	-	-	-	22,117,096	-	-	-	-	-	22,117,096	16,587,822
100%	-	161	82,875	32,035,675	365,625	186,504	-	1,934,749	-	4,210	34,609,799	34,609,799
150%	-	-	4,702	208,623	104,413	-	111,403	-	-	-	429,141	643,712
1250%	-	-	-	-	-	-	-	-	237	-	237	2,967
<b>Total</b>	<b>6,898,518</b>	<b>10,733,295</b>	<b>87,577</b>	<b>39,283,299</b>	<b>22,607,003</b>	<b>11,348,636</b>	<b>111,403</b>	<b>2,376,414</b>	<b>53,432</b>	<b>4,210</b>	<b>93,503,787</b>	<b>59,276,073</b>

Table 6.2: Rated exposures according to ratings by ECAIs

30 September 2016		Ratings of corporate by approved ECAIs				
Exposure class	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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
<b>Credit exposures (using corporate risk weights)</b>						
Insurance companies, Securities firms and Fund managers		59,295	-	-	-	59,295
Corporates		41,797,360	2,981,356	1,046,750	614	37,768,640
<b>Total</b>		<b>41,856,655</b>	<b>2,981,356</b>	<b>1,046,750</b>	<b>614</b>	<b>37,827,935</b>

  

31 March 2016		Ratings of corporate by approved ECAIs				
Exposure class	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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
<b>Credit exposures (using corporate risk weights)</b>						
Insurance companies, Securities firms and Fund managers		87,877	-	-	-	87,877
Corporates		41,865,439	2,814,299	981,290	382	38,069,468
<b>Total</b>		<b>41,953,316</b>	<b>2,814,299</b>	<b>981,290</b>	<b>382</b>	<b>38,157,345</b>

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 S&P Fitch	Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Unrated Unrated Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Sovereigns and Central banks		2,781,665	206,668	2,574,997	-	-
<b>Total</b>		<b>2,781,665</b>	<b>206,668</b>	<b>2,574,997</b>	<b>-</b>	<b>-</b>

  

31 March 2016	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's S&P Fitch	Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Unrated Unrated Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and off balance sheet exposures</b>						
Sovereigns and Central banks		6,898,518	780,153	6,118,365	-	-
<b>Total</b>		<b>6,898,518</b>	<b>780,153</b>	<b>6,118,365</b>	<b>-</b>	<b>-</b>

Table 6.2: Rated exposures according to ratings by ECAIs (Cont'd.)

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	
Exposure class	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	
		RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and off balance sheet exposures</b>							
	Banks, DFIs and MDBs	9,110,762	3,327,122	2,637,011	553,615	-	2,593,014
	<b>Total</b>	<b>9,110,762</b>	<b>3,327,122</b>	<b>2,637,011</b>	<b>553,615</b>	<b>-</b>	<b>2,593,014</b>

  

31 March 2016	Ratings of banking institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
Exposure class	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	
		RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and off balance sheet exposures</b>							
	Banks, DFIs and MDBs	10,733,295	4,452,366	1,772,489	882,076	-	3,626,364
	<b>Total</b>	<b>10,733,295</b>	<b>4,452,366</b>	<b>1,772,489</b>	<b>882,076</b>	<b>-</b>	<b>3,626,364</b>

Table 6.3: Securitisation according to ratings by ECAs

30 September 2016	Ratings of securitisation by approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
Exposure class	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
<b><u>On and off balance sheet exposures</u></b>				
Securitisation exposures	53,571	53,390	-	181
<b>Total</b>	<b>53,571</b>	<b>53,390</b>	<b>-</b>	<b>181</b>

31 March 2016	Ratings of securitisation by approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
Exposure class	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
<b><u>On and off balance sheet exposures</u></b>				
Securitisation exposures	53,432	53,195	-	237
<b>Total</b>	<b>53,432</b>	<b>53,195</b>	<b>-</b>	<b>237</b>

**7.0 Credit Risk Mitigation****Table 7.1 : Credit Risk Mitigation**

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

<b>30 September 2016</b>			
<b>Exposures</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>
<b><i>Credit risk</i></b>			
<b><u>On balance sheet exposures</u></b>			
Sovereigns/Central banks	2,781,665	-	-
Banks, DFIs and MDBs	6,132,977	-	-
Insurance companies, Securities firms and Fund managers	4,219	-	-
Corporates	33,017,241	247,086	4,458,598
Regulatory retail	21,890,785	5,389	277,002
Residential mortgages	11,450,509	-	118,938
Higher risk assets	109,014	-	60
Other assets	2,315,415	-	-
Securitisation exposures	53,571	-	-
Equity exposures	3,437	-	-
Defaulted exposures	711,575	637	148,227
<b>Total for on balance sheet exposures</b>	<b>78,470,408</b>	<b>253,112</b>	<b>5,002,825</b>
<b><u>Off balance sheet exposures</u></b>			
OTC derivatives	3,444,863	-	-
Credit derivatives	12	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	10,033,303	1,401	1,369,355
Defaulted exposures	13,456	-	107
<b>Total for off balance sheet exposures</b>	<b>13,491,634</b>	<b>1,401</b>	<b>1,369,462</b>
<b>Total on and off balance sheet exposures</b>	<b>91,962,042</b>	<b>254,513</b>	<b>6,372,287</b>

**Table 7.1 : Credit Risk Mitigation (Cont'd.)**

The total exposures and eligible guarantees and collateral of the Group are as follows (Cont'd.):

<b>31 March 2016</b>			
<b>Exposures</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>
<b><i>Credit risk</i></b>			
<b><u>On balance sheet exposures</u></b>			
Sovereigns/Central banks	6,856,897	-	-
Banks, DFIs and MDBs	7,120,476	-	-
Insurance companies, Securities firms and Fund managers	7,201	-	-
Corporates	33,694,177	247,180	4,708,830
Regulatory retail	20,825,718	3,270	293,043
Residential mortgages	11,137,520	-	126,369
Higher risk assets	99,589	-	-
Other assets	2,376,414	-	-
Securitisation exposures	53,432	-	-
Equity exposures	4,210	-	-
Defaulted exposures	669,831	732	71,904
<b>Total for on balance sheet exposures</b>	<b>82,845,465</b>	<b>251,182</b>	<b>5,200,146</b>
<b><u>Off balance sheet exposures</u></b>			
OTC derivatives	4,380,669	-	-
Credit derivatives	42	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,040,740	1,814	1,286,500
Defaulted exposures	51,180	-	24,012
<b>Total for off balance sheet exposures</b>	<b>13,472,631</b>	<b>1,814</b>	<b>1,310,512</b>
<b>Total on and off balance sheet exposures</b>	<b>96,318,096</b>	<b>252,996</b>	<b>6,510,658</b>

**8.0 Off Balance Sheet exposures and Counterparty Credit Risk****Table 8.1: Off Balance Sheet Exposures**

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

<b>30 September 2016</b>	<b>Principal/ Notional amount RM'000</b>	<b>Positive fair value of derivative contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<b>Direct credit substitutes</b>	2,124,645		2,125,493	1,767,579
<b>Transaction related contingent items</b>	5,072,087		2,535,619	1,751,491
<b>Short term self liquidating trade related contingencies</b>	637,558		127,512	94,333
<b>Forward asset purchases</b>	588,607		65,999	41,172
<b>Obligations under an on-going underwriting agreement</b>	30,000		-	-
<b>Foreign exchange related contracts</b>				
One year or less	33,311,624	302,352	653,859	404,094
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
<b>Interest rate related contracts</b>				
One year or less	5,755,881	2,516	12,577	5,601
Over one year to five years	33,104,573	221,180	1,047,798	482,191
Over five years	8,450,512	184,457	848,088	400,027
<b>Equity and commodity related contracts</b>				
One year or less	191,521	933	11,805	11,761
Over one year to five years	77,975	144	4,823	2,411
<b>Credit derivative contracts</b>				
Over one year to five years	347,520	13,401	12	6
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	3,964,872		2,009,214	1,631,471
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	13,106,680		2,659,756	2,520,100
<b>Unutilised credit card lines</b>	2,615,831		523,166	388,826
<b>Total</b>	<b>112,327,320</b>	<b>1,102,307</b>	<b>13,491,634</b>	<b>9,980,416</b>

**Table 8.1: Off Balance Sheet Exposures (Cont'd.)**

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

31 March 2016	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
<b>Direct credit substitutes</b>	2,014,648		2,014,648	1,678,972
<b>Transaction related contingent items</b>	4,305,652		2,152,826	1,383,638
<b>Short term self liquidating trade related contingencies</b>	528,516		105,703	81,118
<b>Assets sold with recourse</b>	200		200	200
<b>Forward asset purchases</b>	856,526		82,275	65,604
<b>Obligations under on-going underwriting agreements</b>	60,000		-	-
<b>Foreign exchange related contracts</b>				
One year or less	42,733,469	1,224,495	1,712,330	788,627
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
<b>Interest rate related contracts</b>				
One year or less	8,175,391	3,740	15,068	5,163
Over one year to five years	31,003,999	174,684	943,333	300,595
Over five years	9,423,151	149,030	892,707	216,844
<b>Equity and commodity related contracts</b>				
One year or less	159,106	1,878	10,617	10,617
Over one year to five years	73,572	1,133	5,547	2,774
<b>Credit derivative contracts</b>				
One year or less	337,027	485	30	15
Over one year to five years	336,367	19,493	12	6
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	3,703,251		1,854,126	1,516,296
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	11,841,565		2,408,212	2,258,762
<b>Unutilised credit card lines</b>	2,369,650		473,930	352,075
<b>Total</b>	<b>121,028,342</b>	<b>1,894,819</b>	<b>13,472,631</b>	<b>9,096,137</b>

**Table 8.2 : Credit Derivatives Counterparty Credit Risk**

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

Usage	Product	30 September 2016		31 March 2016	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
		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, RM 150,000,000 (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 securitised exposures of the Group are as follows:

30 September 2016				
Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
<b><u>Traditional securitisation originated by the Group</u></b>				
<b>Banking book</b>				
Corporate loans	129,863	-	59,842	-
Mortgage loans	860,258	-	854,225	-
<b>Total traditional securitisation</b>	<b>990,121</b>	<b>-</b>	<b>914,067</b>	<b>-</b>
<b>Total synthetic securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total traditional and synthetic securitisation</b>	<b>990,121</b>	<b>-</b>	<b>914,067</b>	<b>-</b>

31 March 2016				
Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
<b><u>Traditional securitisation originated by the Group</u></b>				
<b>Banking book</b>				
Corporate loans	125,714	-	57,563	-
Mortgage loans	847,829	-	842,332	-
<b>Total traditional securitisation</b>	<b>973,543</b>	<b>-</b>	<b>899,895</b>	<b>-</b>
<b>Total synthetic securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total traditional and synthetic securitisation</b>	<b>973,543</b>	<b>-</b>	<b>899,895</b>	<b>-</b>

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

30 September 2016	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
<b>Securitisation exposures by exposure type</b>								
<b><u>Traditional securitisation originated by third party</u></b>								
On Balance Sheet Exposures	53,390	53,390	-	53,390	-	-	-	10,678
<b><u>Originated by the Group</u></b>								
On Balance Sheet Exposures	181	181	-	-	-	181	-	2,267
<b>Total traditional securitisation</b>	<b>53,571</b>	<b>53,571</b>	<b>-</b>	<b>53,390</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>12,945</b>
<b>Total synthetic securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total traditional and synthetic securitisation</b>	<b>53,571</b>	<b>53,571</b>	<b>-</b>	<b>53,390</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>12,945</b>

31 March 2016	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
<b>Securitisation exposures by exposure type</b>								
<b><u>Traditional securitisation originated by third party</u></b>								
On Balance Sheet Exposures	53,195	53,195	-	53,195	-	-	-	10,639
<b><u>Originated by the Group</u></b>								
On Balance Sheet Exposures	237	237	-	-	-	237	-	2,968
<b>Total traditional securitisation</b>	<b>53,432</b>	<b>53,432</b>	<b>-</b>	<b>53,195</b>	<b>-</b>	<b>237</b>	<b>-</b>	<b>13,607</b>

## 10.0 Non-Traded Market Risk

**Table 10.1: Market Risk Sensitivity - Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")**

The IRR/RORBB sensitivity for the 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	94,719	(94,719)
Impact on Equity	(258,652)	297,720

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	102,240	(102,240)
Impact on Equity	(275,796)	315,635

## 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 the Group are as follows:

Non traded equity investments	30 September 2016 RM'000	31 March 2016 RM'000
Value of quoted (publicly traded) equities	151,187	141,868
Value of unquoted (privately held) equities	87,557	87,550
<b>Total</b>	<b>238,744</b>	<b>229,418</b>
<b>Net realised and unrealised (losses)/gains</b>		
Cumulative realised gains from sales and liquidations	209	21,715
Total unrealised (losses)/gains	7,092	(901)
<b>Total</b>	<b>7,301</b>	<b>20,814</b>
<b>Risk weighted assets</b>		
Equity investments subject to a 100% risk weight	151,146	141,827
Equity investments subject to a 150% risk weight	131,398	131,386
<b>Total</b>	<b>282,544</b>	<b>273,213</b>
<b>Total minimum capital requirement (8%)</b>	<b>22,604</b>	<b>21,857</b>

## 12.0 Liquidity Risk and Funding Management

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