AMMB Banking Group

Pillar 3 Disclosure

30 SEPTEMBER 2017

RWCAF- Pillar 3 Disclosure
(Applicable to the regulated banking subsidiaries of the Group)
30 September 2017

Contents

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.

The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015, which is based on the Basel III capital accord. Pursuant to these guidelines, the minimum capital adequacy ratios to be maintained under the guidelines for its banking subsidiaries are 4.5% for Common Equity Tier ("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 guidelines 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 period.

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

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

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

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

2.0 Capital Management

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

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of 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 Assets and Liabilities 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.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2018 ("FY 2018"), these ranges are 9.5% to 11.5% for the CET1 Capital Ratio, 10.0% to 12.0% 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 SEPTEMBER 2017			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	11.014%	10.689%	34.192%	11.741%
Tier 1 Capital ratio	12.247%	10.689%	34.192%	12.627%
Total Capital ratio	15.963%	15.506%	34.192%	16.624%
After deducting proposed dividends:				
CET1 Capital ratio	10.770%	10.689%	32.574%	11.543%
Tier 1 Capital ratio	12.002%	10.689%	32.574%	12.429%
Total Capital ratio	15.718%	15.506%	32.574%	16.426%

	31 MARCH 2017			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	11.230%	10.498%	32.916%	11.917%
Tier 1 Capital ratio	12.478%	10.498%	32.916%	12.809%
Total Capital ratio	16.073%	15.069%	32.916%	16.658%
After deducting proposed dividends:				
CET1 Capital ratio	10.764%	10.498%	31.373%	11.563%
Tier 1 Capital ratio	12.012%	10.498%	31.373%	12.455%
Total Capital ratio	15.607%	15.069%	31.373%	16.304%

Notes:

(i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Frameworks for Islamic Banks (Basel II - Risk Weighted Assets).

(ii) Group* figures presented in this Report represent an **aggregation** of the capital positions and risk weighted assets ("RWA") of our three regulated banking institutions (consolidated for AmBank and AmInvestment Bank). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	30 SEPTEMBER 2017						
Exposure class	**RM'000**	**Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000**	**Net exposures/ EAD after CRM RM'000**	**Risk weighted assets RM'000**	**Risk Weighted Assets Absorbed by RIA RM'000**	**Total Risk Weighted Assets after effects of RIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		8,169,674	8,169,674	-	-	-	-
Public Sector Entities ("PSEs")		41,378	41,378	8,276	-	8,276	662
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		9,622,549	9,622,548	2,095,470	-	2,095,470	167,637
Corporates		53,449,968	51,483,514	43,205,913	2,136,047	41,069,866	3,285,589
Regulatory retail		34,295,505	33,948,232	26,568,987	-	26,568,987	2,125,520
Residential mortgages		15,070,035	15,054,550	5,601,214	-	5,601,214	448,097
Higher risk assets		162,841	162,763	244,143	-	244,143	19,531
Other assets		2,203,362	2,203,362	1,842,026	-	1,842,026	147,362
Securitisation exposures		43,083	43,083	10,478	-	10,478	838
Equity exposures		127	127	127	-	127	10
Defaulted exposures		1,265,685	1,246,090	1,439,394	-	1,439,394	115,151
Total for on balance sheet exposures		124,324,207	121,975,321	81,016,028	2,136,047	78,879,981	6,310,397
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,140,811	1,956,314	1,046,887	-	1,046,887	83,751
Credit derivatives		13	13	7	-	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		12,776,901	10,781,508	9,503,055	-	9,503,055	760,245
Defaulted exposures		33,668	24,577	36,714	-	36,714	2,937
Total for off balance sheet exposures		14,951,393	12,762,412	10,586,663	-	10,586,663	846,934
Total on and off balance sheet exposures		139,275,600	134,737,733	91,602,691	2,136,047	89,466,644	7,157,331
2. **Large exposures risk requirement**				73,553	-	73,553	5,884
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	99,211,677	94,720,197		1,775,458	-	1,775,458	142,037
- Specific interest rate risk/Rate of return risk	4,852,675	318,451		69,367	-	69,367	5,549
Foreign currency risk	323,194	327,278		417,105	-	417,105	33,369
Equity risk							
- General risk	106,670	26,746		79,924	-	79,924	6,393
- Specific risk	106,670	26,746		114,696	-	114,696	9,175
Option risk	841,739	391,307		11,221	-	11,221	897
Total	105,442,625	95,810,725		2,467,771	-	2,467,771	197,420
4. **Operational risk**				5,986,194	-	5,986,194	478,896
5. **Total RWA and capital requirements**				100,130,209	2,136,047	97,994,162	7,839,531

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 by AmBank solely provides capital and the business venture is 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 2017, the gross exposure and collective allowance relating to the RIA financing are RM2,136.0 million and RM1.7 million (31 March 2017:RM1,604.4 million and RM2.3 million) respectively. There was no individual allowance provided for the RIA financing. RIA assets excluded from the risk-weight capital adequacy computation of AmBank Islamic for 30 September 2017 amounted to RM2,136.0 million (31 March 2017: RM1,604.4 million) and the risk weight 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 2017					
Exposure class	**RM'000**	**Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000**	**Net exposures/ EAD after CRM RM'000**	**Risk weighted assets RM'000**	**Risk Weighted Assets Absorbed by RIA RM'000**	**Total Risk Weighted Assets after effects of RIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**							
On balance sheet exposures							
Sovereigns/ central banks		7,817,184	7,807,800	4,444	-	4,444	356
Public Sector Entities ("PSEs")		41,621	41,621	8,324	-	8,324	666
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		7,750,663	7,750,663	1,600,086	-	1,600,086	128,006
Insurance companies, Securities firms and Fund managers		73	73	73	-	73	6
Corporates		53,600,587	51,578,897	42,690,636	1,604,369	41,086,267	3,286,902
Regulatory retail		32,650,413	32,438,383	25,228,009	-	25,228,009	2,018,241
Residential mortgages		14,569,271	14,551,934	5,377,152	-	5,377,152	430,172
Higher risk assets		120,722	120,646	180,969	-	180,969	14,477
Other assets		2,983,660	2,983,660	2,496,231	-	2,496,231	199,699
Securitisation exposures		53,095	53,095	12,303	-	12,303	984
Equity exposures		576	576	576	-	576	46
Defaulted exposures		1,275,124	1,251,096	1,370,372	-	1,370,372	109,630
Total for on balance sheet exposures		120,862,989	118,578,444	78,969,175	1,604,369	77,364,806	6,189,185
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		4,007,121	4,007,121	2,070,084	-	2,070,084	165,606
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		12,117,557	10,185,895	9,170,486	-	9,170,486	733,639
Defaulted exposures		20,952	18,114	25,408	-	25,408	2,032
Total for off balance sheet exposures		16,145,644	14,211,144	11,265,985	-	11,265,985	901,278
Total on and off balance sheet exposures		137,008,633	132,789,588	90,235,160	1,604,369	88,630,791	7,090,463
2. **Large exposures risk requirement**				30,573	-	30,573	2,446
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk /Rate of return risk							
- General interest rate risk/Rate of return risk	105,407,319	98,458,791		1,773,919	-	1,773,919	141,913
- Specific interest rate risk/Rate of return risk	7,012,517	306,644		136,285	-	136,285	10,904
Foreign currency risk	256,209	361,530		416,346	-	416,346	33,308
Equity risk							
- General risk	74,434	15,941		58,679	-	58,679	4,694
- Specific risk	74,434	15,941		48,390	-	48,390	3,871
Option risk	428,329	199,741		12,352	-	12,352	988
Total	113,253,242	99,358,588		2,445,971	-	2,445,971	195,678
4. **Operational risk**				6,160,989	-	6,160,989	492,879
5. **Total RWA and capital requirements**				98,872,693	1,604,369	97,268,324	7,781,466

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:

- 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 CET1 Capital

CET1 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) Retained Earnings
Retained earnings at the end of the financial period/year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in CET1 Capital net of any approved interim and/or final dividend declared, and net of any interim losses. Quarterly interim profits have been included in CET1 Capital subject to review/audit by the external auditors.

(c) 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.

On 3 May 2017, BNM issued revised policy documents, *Capital Funds* and *Capital Funds for Islamic Banks* which are applicable for licensed banks and licensed Islamic banks respectively. The key change in the revised policy documents is the removal of the requirement for banking institutions to maintain a reserve fund. The Group's banking subsidiaries had previously maintained the reserve fund via transfer from retained earnings to Statutory Reserve. Arising from this change, the Group had reclassified balances in Statutory Reserve to Retained earnings.

(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 CET1 Capital (Cont'd.)

(c) 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 banking subsidiaries can recognise 45% of the total outstanding balance as part of CET1 Capital. Where the unrealised fair value changes is a net loss outstanding balance, the entire outstanding balance is deducted in CET1 Capital.

(d) 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 CET1 Capital.

(e) 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 2017, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 50% 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	Note 1
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

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

3.2 Additional Tier 1 Capital (Cont'd.)

Table 3.1 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment (Cont'd.)

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%	-

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.

3.2 Additional Tier 1 Capital (Cont'd.)

Innovative Tier 1 Capital (Cont'd.)

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 2017 the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 50% 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%	-

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**	Note 1
Subordinated Sukuk Musharakah – Tranche 1	600,000	(a)
Subordinated Sukuk Musharakah – Tranche 2	200,000	(b)
Subordinated Sukuk Musharakah – Tranche 3	200,000	(c)
Total qualifying base	**1,000,000**	

Note 1 :

(a) Nominal value of sukuk which amounted to RM120.0 million was purchased and cancelled as at 31 March 2014. On 30 September 2016, the Bank early redeemed the remaining portion of this tranche which amounted to RM480.0 million on its first call date.

(b) Nominal value of sukuk which amounted to RM10.0 million was purchased and cancelled as at 31 March 2014. On its first call date of 31 January 2017, the Bank early redeemed the remaining portion of this tranche which amounted to RM190.0 million.

(c) Nominal value of sukuk which amounted to RM70.0 million was purchased and cancelled as at 31 March 2014.

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%	-

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 2017 are as follows:

3.3 Tier 2 capital (Cont'd.)

Medium Term Notes (Cont'd.)

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**

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 2017 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
24 December 2012	26 December 2017	10 years Non-Callable 5 years	4.45% per annum	130
Total				**130**

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 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.

3.3 Tier 2 capital (Cont'd.)

Basel III Subordinated Notes (Cont'd.)

The salient features of the Subordinated Notes issued under this programme and outstanding as at 30 September 2017 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
30 December 2013	31 December 2018	10 years Non-Callable 5 years	5.20% per annum	400
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	500
Total				**900**

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 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 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 2017 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
30 December 2016	30 December 2021	10 years Non-Callable 5 years	5.50% per annum	10
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	240
Total				**850**

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 SEPTEMBER 2017			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
Ordinary shares	1,763,208	1,387,107	200,000	3,350,315
Retained earnings	6,363,014	1,493,739	311,602	8,374,885
Available-for-sale deficit	(13,464)	(2,980)	-	(16,291)
Foreign exchange translation reserve	95,205	-	-	103,480
Regulatory reserve	342,133	336,183	2,918	681,234
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	1,494	-	-	1,494
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(414,235)	(704)	(2,190)	(418,269)
Deferred tax assets	(36,224)	-	(2,630)	(40,935)
Cash flow hedging reserve	(1,494)	-	-	(1,494)
Regulatory reserve	(342,133)	(336,183)	(2,918)	(681,234)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(6,790)	-	(39,847)	-
Deduction in excess of Tier 2 capital**	-	-	(6,130)	-
CET1 Capital	7,750,714	2,877,162	460,805	11,505,822
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	-	-	867,550
Qualifying CET 1, Additional Tier 1 capital Instruments held by third parties	-	-	-	2
Tier 1 Capital	8,618,264	2,877,162	460,805	12,373,374
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	850,000	-	1,750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	130,000	-	1,113,900
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	732,334	316,783	3,832	1,052,963
Less: Regulatory adjustments applied on Tier 2 Capital	(1,698)	-	(3,832)	-
Tier 2 Capital	2,614,536	1,296,783	-	3,916,864
Total Capital	**11,232,800**	**4,173,945**	**460,805**	**16,290,238**

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

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
Credit RWA	64,018,587	27,478,651	1,045,023	91,602,691
Less: Credit RWA absorbed by Restricted Investment Account	-	(2,136,047)	-	(2,136,047)
Total Credit RWA	64,018,587	25,342,604	1,045,023	89,466,644
Market RWA	2,227,056	189,145	29,596	2,467,771
Operational RWA	4,049,396	1,386,461	273,087	5,986,194
Large exposure risk RWA for equity holdings	73,553	-	-	73,553
Total RWA	**70,368,592**	**26,918,210**	**1,347,706**	**97,994,162**

***** 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 MARCH 2017			
	AmBank RM'000	**AmBank Islamic RM'000**	**AmInvestment Bank RM'000**	**Group * RM'000**
CET1 Capital				
Ordinary shares	1,763,208	1,187,107	200,000	3,150,315
Retained earnings	5,371,939	1,179,283	88,943	6,931,726
Available-for-sale (deficit)	(12,233)	(5,149)	-	(17,381)
Foreign exchange translation reserve	119,797	-	-	130,278
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	163,820	58,430	2,800	225,050
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging deficit	3,010	-	-	3,010
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(406,504)	(448)	(2,513)	(411,124)
Deferred tax assets	-	-	(7,153)	(9,158)
Cash flow hedging deficit	(3,010)	-	-	(3,010)
Regulatory reserve	(163,820)	(58,430)	(2,800)	(225,050)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(6,808)	-	(39,847)	-
Deduction in excess of Tier 2 capital**	-	-	(6,458)	-
CET1 Capital	7,810,368	2,844,138	432,972	11,591,607
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	-	-	867,550
Qualifying CET 1, Additional Tier 1 capital Inst capital	-	-	-	2
Tier 1 Capital	8,677,918	2,844,138	432,972	12,459,159
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	850,000	-	1,750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	130,000	-	1,113,900
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	618,212	258,458	3,504	880,197
Less: Regulatory adjustments applied on Tier 2 Capital	(1,702)	-	(3,504)	-
Tier 2 Capital	2,500,410	1,238,458	-	3,744,098
Total Capital	**11,178,328**	**4,082,596**	**432,972**	**16,203,257**

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

	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Credit RWA	63,094,846	27,107,178	1,015,958	90,235,160
Less: Credit RWA absorbed by Restricted Investment Account	-	(1,604,369)	-	(1,604,369)
Total Credit RWA	63,094,846	25,502,809	1,015,958	88,630,791
Market RWA	2,231,439	178,976	20,158	2,445,971
Operational RWA	4,190,538	1,410,237	279,251	6,160,989
Large exposure risk RWA for equity holdings	30,573	-	-	30,573
Total RWA	**69,547,396**	**27,092,022**	**1,315,367**	**97,268,324**

* 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).

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/triggers for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limits/triggers for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and operational risk.

AmBank Group Risk Direction

AmBank Group's strategic direction is to be top 4 in each of the 4 growth segments (Mass Affluent, Affluent, SME and Mid-Corp), top 4 in each of the 4 focus products (Cards and Merchants, Transaction Banking, Markets/Foreign Exchange("FX") and Wealth Management) and to sustain top 4 position in each of the current engines (Corporate Loans, Debt Capital Market ("DCM") and Funds Management).

1. AmBank Group aims to maintain an external rating of AA1 or better based on reference ratings by RAM.

2. AmBank Group aims to achieve and sustain a Return on Risk Weighted Assets ("RoRWA") in the range of 1.5% to 1.8%.

3. AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the ICAAP.

4. AmBank Group recognizes the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") at least 10% above prevailing regulatory minimum.
   b. Net Stable Funding Ratio ("NSFR") above the prevailing regulatory minimum.
   c. Liquidity Deposit Ratio ("LDR") in the range between 90% to 95%.

5. AmBank Group aims to maintain the following capital adequacy ratios ("CARs") under normal conditions: CET1, Tier 1 and total capital ratio of at least 2 percentage points above regulatory minimum.

6. AmBank Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling Interests ("PATMI").

7. AmBank Group aims to limit the Group's earnings volatility such that mean Adjusted Return volatility over a period of the last 3 years is Below 0.3**.

8. AmBank Group aims to maintain RWA efficiency (Credit Risk Weighted Assets ("CRWA")/Exposure At Default ("EAD")) in the range of 50% to 60%.

**As per PIDM definition.

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 including but not limited to market risk, liquidity risk, credit risk, operational risk, IT and Cyber Risk.

The Board has also established the Management Risk Committees to assist it in managing the risks and businesses of the Group. The management 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.

5.0 Credit Risk Management

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

Identification	• Identify/ recognise credit risk on transactions and/ or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, • Whosale pricing • Collateral and tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customers under Classified Account • Review customers under Rescheduled and Restructured Account • Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/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 13.0 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 assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the Group's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the banking subsidiary's credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

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

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

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

(d) a 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 Watchlist & Classification Committee ("WACC") 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 WACC or CACC.

(e) debt instruments (for example, corporate bond and sukuk, 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[4] 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 WACC.

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

i. for margin loan/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's banking subsidiaries are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/ financing[5] net of individual impairment.

[1]For credit card facilities, an account is “past due” when the card member fails to settle the minimum monthly repayment due before the next billing date.

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

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

[4]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.

[5]Excluding 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 2017														
	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	-	-	-	-	-	-	-	-	8,108,272	-	-	61,402	-	-	8,169,674
PSEs	-	-	-	-	-	248	-	-	-	-	40,679	451	-	-	41,378
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,622,549	-	-	-	-	-	-	9,622,549
Corporates	3,609,258	2,759,998	9,137,826	1,539,899	6,414,095	5,345,503	3,912,018	6,491,834	-	8,040,012	1,420,752	3,035,229	1,651,989	91,555	53,449,968
Regulatory retail	31,443	8,848	186,490	4,185	110,910	230,129	37,660	4,198	-	72,984	89,201	105,998	33,403,991	9,468	34,295,505
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	15,070,035	-	15,070,035
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,943	142,898	162,841
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	536,621	1,666,741	2,203,362
Securitisation exposures	-	-	-	-	-	-	-	20,925	-	22,158	-	-	-	-	43,083
Equity exposures	-	-	8	-	-	-	-	-	-	-	-	-	-	119	127
Defaulted exposures	375	97,386	70,925	1,582	4,984	27,596	83,691	-	-	444,741	18,156	7,213	508,589	447	1,265,685
Total for on balance sheet exposures	3,641,076	2,866,232	9,395,249	1,545,666	6,529,989	5,603,476	4,033,369	16,139,506	8,108,272	8,579,895	1,568,788	3,210,293	51,191,168	1,911,228	124,324,207
Off balance sheet exposures															
OTC derivatives	10,288	286,309	96,831	-	178	10,935	32,088	1,686,008	-	8,463	871	5,230	261	3,349	2,140,811
Credit derivatives	-	-	-	-	-	-	-	13	-	-	-	-	-	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatives	375,484	297,139	2,090,219	401,184	3,122,603	1,038,762	495,240	497,764	-	1,183,270	328,982	235,192	2,703,148	7,914	12,776,901
Defaulted exposures	-	242	4,876	-	52	505	190	-	-	14,605	778	-	12,340	80	33,668
Total for off balance sheet exposures	385,772	583,690	2,191,926	401,184	3,122,833	1,050,202	527,518	2,183,785	-	1,206,338	330,631	240,422	2,715,749	11,343	14,951,393
Total on and off balance sheet exposures	**4,026,848**	**3,449,922**	**11,587,175**	**1,946,850**	**9,652,822**	**6,653,678**	**4,560,887**	**18,323,291**	**8,108,272**	**9,786,233**	**1,899,419**	**3,450,715**	**53,906,917**	**1,922,571**	**139,275,600**

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 2017														
	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	-	-	-	-	-	-	-	-	7,787,641	-	-	29,543	-	-	7,817,184
PSEs	-	-	-	-	-	262	-	40,539	-	-	14	806	-	-	41,621
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,750,663	-	-	-	-	-	-	7,750,663
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	73	-	-	-	-	-	-	73
Corporates	3,915,683	3,100,376	9,314,332	750,423	6,657,359	5,168,231	3,616,714	7,031,169	-	8,023,222	1,182,047	3,100,969	1,652,987	87,075	53,600,587
Regulatory retail	19,887	7,599	130,817	4,504	85,512	192,545	35,005	3,599	-	68,916	73,668	95,826	31,924,078	8,457	32,650,413
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	14,569,271	-	14,569,271
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	20,438	100,284	120,722
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	414,572	2,569,088	2,983,660
Securitisation exposures	-	-	-	-	-	-	-	30,995	-	22,100	-	-	-	-	53,095
Equity exposures	-	-	8	-	-	-	-	435	-	-	-	-	-	133	576
Defaulted exposures	595	123,870	32,005	2,423	24,718	31,616	8,146	1	-	545,125	5,740	7,345	493,021	519	1,275,124
Total for on balance sheet exposures	3,936,165	3,231,845	9,477,162	757,350	6,767,589	5,392,654	3,659,865	14,857,474	7,787,641	8,659,363	1,261,469	3,234,489	49,074,367	2,765,556	120,862,989
Off balance sheet exposures															
OTC derivatives	8,295	335,638	103,605	-	8	9,417	54,040	3,484,094	-	8,337	3,522	158	-	7	4,007,121
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	362,489	397,878	2,055,838	311,919	2,812,252	1,040,575	491,588	438,760	-	1,191,125	251,929	333,058	2,424,100	6,046	12,117,557
Defaulted exposures	-	255	506	-	273	496	227	-	-	7,039	880	-	11,195	81	20,952
Total for off balance sheet exposures	370,784	733,771	2,159,949	311,919	2,812,533	1,050,488	545,855	3,922,868	-	1,206,501	256,331	333,216	2,435,295	6,134	16,145,644
Total on and off balance sheet exposures	**4,306,949**	**3,965,616**	**11,637,111**	**1,069,269**	**9,580,122**	**6,443,142**	**4,205,720**	**18,780,342**	**7,787,641**	**9,865,864**	**1,517,800**	**3,567,705**	**51,509,662**	**2,771,690**	**137,008,633**

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

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

	30 SEPTEMBER 2017														
	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	571	137,123	160,699	7,932	14,255	47,268	94,922	20	608,843	9,398	7,072	654,772	1,927	-	**1,744,802**
Past due loans / financing	16,866	120,985	248,685	15,861	115,101	94,009	100,666	296	634,931	37,618	31,747	10,296,049	6,722	-	**11,719,536**
Individual allowance	-	37,170	93,878	7,038	3,180	5,421	4,383	-	148,565	3,707	-	7,971	483	-	**311,796**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	775,268	**775,268**
Charges / (writeback) for individual allowance	-	8,612	39,909	8,522	(606)	4,819	3,805	-	(3,524)	450	-	2,657	483	-	**65,127**
Write-offs against individual allowance/other movements	-	1,514	197	6,924	-	-	141	-	1,852	-	-	1,700	-	-	**12,328**

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 2017														
	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	842	153,931	94,910	7,963	16,349	46,449	9,869	1	707,073	10,051	8,562	629,037	4,289	-	**1,689,326**
Past due loans / financing	11,193	163,091	175,734	2,596	38,323	79,052	49,185	2,561	86,478	44,855	20,218	9,525,119	27,178	-	**10,225,583**
Individual allowance	-	30,072	54,166	5,440	3,786	602	719	-	153,941	3,257	-	7,014	-	-	**258,997**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	861,780	**861,780**
Charges / (writeback) for individual allowance	-	42,780	41,837	(241)	(6,453)	3,912	3,952	-	160,274	644	-	5,280	66	-	**252,051**
Write-offs against individual allowance/other movements	-	25,201	136,105	4,335	1,183	6,599	16,214	-	112,908	2,738	-	4,572	468	-	**310,323**

Table 5.3: Geographical distribution of credit exposures

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

	30 SEPTEMBER 2017		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	8,169,674	-	8,169,674
PSEs	41,378	-	41,378
Banks, DFIs and MDBs	8,156,279	1,466,270	9,622,549
Corporates	51,495,929	1,954,039	53,449,968
Regulatory retail	34,295,505	-	34,295,505
Residential mortgages	15,070,035	-	15,070,035
Higher risk assets	162,797	44	162,841
Other assets	2,061,118	142,244	2,203,362
Securitisation exposures	43,083	-	43,083
Equity exposures	127	-	127
Defaulted exposures	1,166,316	99,369	1,265,685
Total for on balance sheet exposures	120,662,241	3,661,966	124,324,207
Off balance sheet exposures			
OTC derivatives	1,859,411	281,400	2,140,811
Credit derivatives	13	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,281,998	494,903	12,776,901
Defaulted exposures	32,366	1,302	33,668
Total for off balance sheet exposures	14,173,788	777,605	14,951,393
Total on and off balance sheet exposures	134,836,029	4,439,571	139,275,600

	31 MARCH 2017		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	7,808,296	8,888	7,817,184
Public Sector Entities	41,621	-	41,621
Banks, DFIs and MDBs	6,828,126	922,537	7,750,663
Insurance companies, Securities firms and Fund managers	73	-	73
Corporates	51,400,893	2,199,694	53,600,587
Regulatory retail	32,650,413	-	32,650,413
Residential mortgages	14,569,271	-	14,569,271
Higher risk assets	120,671	51	120,722
Other assets	2,895,112	88,548	2,983,660
Securitisation exposures	53,095	-	53,095
Equity exposures	576	-	576
Defaulted exposures	1,193,630	81,494	1,275,124
Total for on balance sheet exposures	117,561,777	3,301,212	120,862,989
Off balance sheet exposures			
OTC derivatives	4,003,222	3,899	4,007,121
Credit derivatives	14	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,450,243	667,314	12,117,557
Defaulted exposures	20,952	-	20,952
Total for off balance sheet exposures	15,474,431	671,213	16,145,644
Total on and off balance sheet exposures	**133,036,208**	**3,972,425**	**137,008,633**

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 2017		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
Impaired loans, advances and financing	1,664,777	80,025	1,744,802
Past due loans / financing	11,643,532	76,004	11,719,536
Individual allowance	307,190	4,606	311,796
Collective allowance	769,843	5,425	775,268

	31 MARCH 2017		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
Impaired loans, advances and financing	1,607,832	81,494	1,689,326
Past due loans / financing	10,136,686	88,897	10,225,583
Individual allowance	258,988	9	258,997
Collective allowance	855,717	6,063	861,780

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 2017								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	4,393,622	-	-	-	113,407	147,348	3,515,297	-	8,169,674
PSEs	1	23	31	170	40,906	-	247	-	41,378
Banks, DFIs and MDBs	5,287,397	1,287,888	2,152,227	187,619	-	54,915	190,693	461,810	9,622,549
Corporates	17,413,627	3,903,383	2,181,752	1,452,671	6,375,544	7,026,498	15,096,493	-	53,449,968
Regulatory retail	88,904	43,684	86,133	331,352	2,981,044	7,289,797	23,474,591	-	34,295,505
Residential mortgages	536	324	1,156	4,363	56,321	139,914	14,867,421	-	15,070,035
Higher risk assets	71	7	4	41	529	742	18,548	142,899	162,841
Other assets	1,245,748	2,541	127,201	825	19,563	-	-	807,484	2,203,362
Securitisation exposures	49	-	-	-	-	-	43,034	-	43,083
Equity exposures	-	-	-	-	-	-	8	119	127
Defaulted exposures	491,359	3,599	12,257	26,350	121,039	138,377	472,704	-	1,265,685
Total for on balance sheet exposures	28,921,314	5,241,449	4,560,761	2,003,391	9,708,353	14,797,591	57,679,036	1,412,312	124,324,207
Off balance sheet exposures									
OTC derivatives	28,086	86,227	47,632	74,074	95,393	303,581	1,505,818	-	2,140,811
Credit derivatives	-	-	-	-	-	13	-	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,206,688	430,116	1,651,962	1,677,251	2,136,613	1,064,797	4,609,474	-	12,776,901
Defaulted exposures	2,699	352	2,989	10,563	3,864	2,147	11,054	-	33,668
Total for off balance sheet exposures	1,237,473	516,695	1,702,583	1,761,888	2,235,870	1,370,538	6,126,346	-	14,951,393
Total on and off balance sheet exposures	**30,158,787**	**5,758,144**	**6,263,344**	**3,765,279**	**11,944,223**	**16,168,129**	**63,805,382**	**1,412,312**	**139,275,600**

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 2017								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	3,548,583	-	29,543	-	215,164	264,625	3,759,269	-	7,817,184
PSEs	-	14	14	154	41,149	28	262	-	41,621
Banks, DFIs and MDBs	5,245,044	1,953,477	150,691	71,347	187,290	-	142,814	-	7,750,663
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	73	-	73
Corporates	15,442,959	4,096,140	3,654,201	1,394,826	6,321,358	6,553,914	16,137,189	-	53,600,587
Regulatory retail	108,029	32,201	92,942	260,058	2,951,858	7,339,761	21,865,564	-	32,650,413
Residential mortgages	430	334	986	4,333	54,390	138,524	14,370,274	-	14,569,271
Higher risk assets	30	-	70	14	521	822	18,980	100,285	120,722
Other assets	1,214,888	3,920	34,883	218,411	20,372	-	-	1,491,186	2,983,660
Securitisation exposures	39	-	-	-	-	-	53,056	-	53,095
Equity exposures	435	-	-	-	-	-	8	133	576
Defaulted exposures	569,358	20,230	4,966	10,604	148,527	86,269	435,170	-	1,275,124
Total for on balance sheet exposures	26,129,795	6,106,316	3,968,296	1,959,747	9,940,629	14,383,943	56,782,659	1,591,604	120,862,989
Off balance sheet exposures									
OTC derivatives	210,060	368,177	185,765	311,471	251,422	1,063,986	1,616,240	-	4,007,121
Credit derivatives	-	-	-	-	-	14	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,109,893	861,104	611,288	1,954,530	2,001,065	1,112,689	4,466,988	-	12,117,557
Defaulted exposures	1,187	1,509	386	2,716	2,240	3,903	9,011	-	20,952
Total for off balance sheet exposures	1,321,140	1,230,790	797,439	2,268,717	2,254,727	2,180,592	6,092,239	-	16,145,644
Total on and off balance sheet exposures	**27,450,935**	**7,337,106**	**4,765,735**	**4,228,464**	**12,195,356**	**16,564,535**	**62,874,898**	**1,591,604**	**137,008,633**

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 2017	
	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Balance at beginning of the financial year	258,997	861,780
Charge for the period – net	65,127	134,228
Amount written-off	(10,814)	(219,707)
Amount transferred to AmBank *	-	(904)
Amount transferred from AmBank Islamic *	-	904
Foreign exchange differences	(1,514)	(1,033)
Balance at end of the financial period **	311,796	775,268

	(Charge off)/ recoveries RM'000
Bad debts written off during the period	(52,293)
Bad debt recoveries during the period	299,606

	31 MARCH 2017	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of the financial year	317,269	1,061,513
Charge for the year – net	252,052	256,261
Amount written-off	(312,026)	(458,250)
Foreign exchange differences	1,702	2,256
Balance at end of the financial year **	258,997	861,780

	(Charge off)/ recoveries RM'000
Bad debts written off during the year	(104,963)
Bad debt recoveries during the year	786,619

* On 29 September 2017, AmBank entered into a RIA contract for the sum of RM529.4 million with AmBank Islamic. Arising from this contract, AmBank Islamic transferred collective allowance of approximately RM0.9 million for the financing funded to AmBank.

** As at 30 September 2017, the gross exposure and collective allowance relating to the RIA financing amounted to RM2,136.0 million and RM1.7 million (31 March 2017: RM1,604.4 million and RM2.3 million) respectively.

There was no individual allowance provided for the RIA financing as at 30 September 2017 and 31 March 2017.

6.0 Credit Risk Exposure under Standardised Approach

Depending on the exposure class, the 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")

Internal credit rating grades assigned to corporate and retail lending business are currently aligned 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 the latest available corporate default studies undertaken by Fitch, Standard & Poor's, Moody's, RAM and MARC; and is incorporated in the Credit Risk Rating Policy.

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 2017												
	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	8,169,675	-	25,008	-	4,806,849	-	-	-	337,752	-	-	13,339,284	-
20%	6,545	41,378	10,179,829	-	4,158,454	105,635	-	-	29,480	42,932	-	14,564,253	2,912,851
35%	-	-	-	-	-	-	12,871,018	-	-	-	-	12,871,018	4,504,857
50%	-	-	1,009,697	-	1,408,272	25,179	2,343,152	-	-	-	-	4,786,300	2,393,150
75%	-	-	-	-	-	31,576,664	-	-	-	-	-	31,576,664	23,682,497
100%	-	-	-	34,550	49,797,590	4,855,601	61,305	-	1,836,130	-	127	56,585,303	56,585,303
150%	-	-	-	-	714,841	118,560	-	181,359	-	-	-	1,014,760	1,522,141
1250%	-	-	-	-	-	-	-	-	-	151	-	151	1,892
Total	8,176,220	41,378	11,214,534	34,550	60,886,006	36,681,639	15,275,475	181,359	2,203,362	43,083	127	134,737,733	91,602,691

	31 MARCH 2017												
	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	7,798,912	-	24,856	-	4,989,524	-	-	-	470,360	-	-	13,283,652	-
20%	13,306	41,621	8,436,951	-	4,827,125	43,407	-	-	21,336	52,958	-	13,436,704	2,687,341
35%	-	-	-	-	-	-	12,681,694	-	-	-	-	12,681,694	4,438,593
50%	8,888	-	2,499,394	-	1,460,450	26,775	2,029,702	-	-	-	-	6,025,209	3,012,603
75%	-	-	-	-	-	30,834,619	-	-	-	-	-	30,834,619	23,125,965
100%	-	-	-	30,259	49,206,193	3,848,924	66,916	-	2,491,964	-	576	55,644,832	55,644,832
150%	-	-	-	-	627,367	116,231	-	139,143	-	-	-	882,741	1,324,114
1250%	-	-	-	-	-	-	-	-	-	137	-	137	1,712
Total	7,821,106	41,621	10,961,201	30,259	61,110,659	34,869,956	14,778,312	139,143	2,983,660	53,095	576	132,789,588	90,235,160

Table 6.2: Rated Exposures according to Ratings by ECAIs

	30 SEPTEMBER 2017					
	Ratings of Corporate by Approved ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
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)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	41,678	40,636	24	-	-	1,018
Insurance companies, Securities firms and Fund managers	34,550	-	-	-	-	34,550
Corporates	46,914,892	2,875,574	2,667,814	-	-	59,371,504
Total	**46,991,120**	**2,916,210**	**2,667,838**	**-**	**-**	**59,407,072**

	31 MARCH 2017					
	Ratings of Corporate by Approved ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
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)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	42,121	40,539	96	-	-	1,486
Insurance companies, Securities firms and Fund managers	30,259	-	-	-	-	30,259
Corporates	65,040,492	3,092,990	2,629,744	-	-	59,317,758
Total	**65,112,872**	**3,133,529**	**2,629,840**	**-**	**-**	**59,349,503**

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

	30 SEPTEMBER 2017					
		Ratings of Sovereigns and Central Banks by Approved ECAIs				
	Moodys	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	8,176,220	-	8,176,220	-	-	-
Total	**8,176,220**	**-**	**8,176,220**	**-**	**-**	**-**

	31 MARCH 2017					
		Ratings of Sovereigns and Central Banks by Approved ECAIs				
	Moodys	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	7,830,490	-	7,821,602	8,888	-	-
Total	**7,830,490**	**-**	**7,821,602**	**8,888**	**-**	**-**

	30 SEPTEMBER 2017					
		Ratings of Banking Institutions by Approved ECAIs				
	Moodys	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	11,292,757	3,676,654	2,194,923	452,564	9	4,968,607
Total	**11,292,757**	**3,676,654**	**2,194,923**	**452,564**	**9**	**4,968,607**

	31 MARCH 2017					
		Ratings of Banking Institutions by Approved ECAIs				
	Moodys	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	10,961,201	3,243,448	2,351,183	637,064	413	4,729,093
Total	**10,961,201**	**3,243,448**	**2,351,183**	**637,064**	**413**	**4,729,093**

Table 6.3: Securitisation according to Ratings by ECAIs

	30 SEPTEMBER 2017			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures				
Securitisation exposures	43,083	42,932	-	151
Total	**43,083**	**42,932**	**-**	**151**

	31 MARCH 2017			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures				
Securitisation exposures	53,095	52,958	-	137
Total	**53,095**	**52,958**	**-**	**137**

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:

	30 SEPTEMBER 2017		
Exposures	**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	8,169,674	-	-
PSEs	41,378	-	-
Banks, DFIs And MDBs	9,622,549	-	2
Corporates	53,449,968	665,700	4,235,070
Regulatory retail	34,295,505	105,051	472,290
Residential mortgages	15,070,035	-	85,976
Higher risk assets	162,841	-	122
Other assets	2,203,362	-	-
Securitisation exposures	43,083	-	-
Equity exposures	127	-	-
Defaulted exposures	1,265,685	2,977	225,206
Total for on balance sheet exposures	124,324,207	773,728	5,018,666
Off balance sheet exposures			
OTC derivatives	2,140,811	-	545,979
Credit derivatives	13	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,776,901	171,780	2,728,381
Defaulted exposures	33,668	-	9,240
Total for off balance sheet exposures	14,951,393	171,780	3,283,600
Total on and off balance sheet exposures	**139,275,600**	**945,508**	**8,302,266**

	31 MARCH 2017		
Exposures	**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	7,817,184	-	-
PSEs	41,621	-	-
Banks, DFIs And MDBs	7,750,663	-	-
Insurance companies, securities firms and fund managers	73	-	-
Corporates	53,600,587	907,760	4,345,823
Regulatory retail	32,650,413	42,680	292,438
Residential mortgages	14,569,271	-	99,065
Higher risk assets	120,722	-	128
Other assets	2,983,660	-	-
Securitisation exposures	53,095	-	-
Equity exposures	576	-	-
Defaulted exposures	1,275,124	1,131	228,297
Total for on balance sheet exposures	120,862,989	951,571	4,965,751
Off balance sheet exposures			
OTC derivatives	4,007,121	-	-
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,117,557	1,873	2,646,298
Defaulted exposures	20,952	-	3,111
Total for off balance sheet exposures	16,145,644	1,873	2,649,409
Total on and off balance sheet exposures	**137,008,633**	**953,444**	**7,615,160**

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 2017 Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,238,569		2,348,185	1,879,594
Transaction related contingent Items	5,721,338		2,805,860	2,150,826
Short Term Self Liquidating trade related contingencies	940,883		188,176	177,942
Forward Asset Purchases	429,165		19,445	10,246
Obligations under on-going underwriting agreements	150,000		-	-
Foreign exchange related contracts				
One year or less	18,193,803	80,483	170,546	113,959
Over one year to five years	1,131,548	14,460	140,165	88,975
Over five years	624,821	153,774	258,769	250,608
Interest/Profit rate related contracts				
One year or less	589,732	1,145	2,318	718
Over one year to five years	1,523,844	11,378	53,234	20,588
Over five years	1,180,017	10,822	65,628	13,126
Equity and commodity related contracts				
One year or less	353,631	4,594	23,026	19,928
Over one year to five years	279,128	5,825	34,544	19,498
Credit Derivative Contracts				
Over one year to five years	351,675	8,731	13	7
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	77,516,797	738,882	1,392,580	519,485
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,142,796		2,071,397	1,688,111
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,988,964		4,485,715	2,968,329
Unutilised credit card lines	4,458,961		891,792	664,723
Total	**138,815,672**	**1,030,094**	**14,951,393**	**10,586,663**

Description	31 MARCH 2017 Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,052,065		2,307,265	1,851,606
Transaction related contingent Items	5,914,536		2,829,668	2,163,653
Short Term Self Liquidating trade related contingencies	835,140		167,028	151,681
Forward Asset Purchases	680,643		28,509	9,351
Obligations under an on-going underwriting agreements	150,000		-	-
Foreign exchange related contracts				
One year or less	48,067,817	492,522	1,021,607	592,048
Over one year to five years	2,525,097	65,376	357,703	211,231
Over five years	2,140,212	395,785	783,247	456,220
Interest/Profit rate related contracts				
One year or less	9,810,942	6,210	38,691	16,611
Over one year to five years	31,205,847	134,572	952,697	387,114
Over five years	10,148,780	106,390	832,991	389,179
Equity and commodity related contracts				
One year or less	229,628	2,417	15,177	15,177
Over one year to five years	83,396	4	5,008	2,504
Credit Derivative Contracts				
Over one year to five years	361,251	11,237	14	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,925,299		1,962,649	1,603,802
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,383,700		4,130,891	2,884,890
Unutilised credit card lines	3,562,496		712,499	530,911
Total	**139,076,849**	**1,214,513**	**16,145,644**	**11,265,985**

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

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

		30 SEPTEMBER 2017		31 MARCH 2017	
		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	201,675	150,000	211,251	150,000

* Out of the total notional exposure for protection bought as at 30 September 2017, RM150,000,000 (31 March 2017: RM150,000,000) 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 2017			
Underlying Asset	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the period RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	138,593	-	64,589	-
Mortgage loans	895,929	-	888,719	-
Total Traditional Securitisation	1,034,522	-	953,308	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	**1,034,522**	**-**	**953,308**	**-**

	31 MARCH 2017			
Underlying Asset	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	134,116	-	62,161	-
Mortgage loans	877,968	-	871,632	-
Total Traditional Securitisation	1,012,084	-	933,793	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional and Synthetic Securitisation	**1,012,084**	**-**	**933,793**	**-**

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

	30 SEPTEMBER 2017						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
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**	**20% RM'000**	**50% RM'000**	**1250% RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	42,932	42,932	-	42,932	-	-	8,586
Originated by the Group							
On Balance Sheet Exposures	151	151	-	-	-	151	1,892
Total Traditional Securitisation	43,083	43,083	-	42,932	-	151	10,478

	31 MARCH 2017						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
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**	**20% RM'000**	**50% RM'000**	**1250% RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	52,958	52,958	-	52,958	-	-	10,591
Originated by the Group							
On Balance Sheet Exposures	137	137	-	-	-	137	1,712
Total Traditional Securitisation	53,095	53,095	-	52,958	-	137	12,303

There are no securitisation exposure under trading book for 30 September 2017 and 31 March 2017.

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 2017	
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	93,985	(93,985)
	Interest Rate / Rate of Return +100 bps RM'000	**Interest Rate / Rate of Return -100 bps RM'000**
Impact on Equity	(535,833)	594,705

	31 MARCH 2017	
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	99,629	(99,629)
	Interest Rate / Rate of Return +100 bps RM'000	**Interest Rate / Rate of Return -100 bps RM'000**
Impact on Equity	(560,779)	627,654

11.0 Equities (Banking Book Positions)

Table 11.1: Equity investments and capital requirement

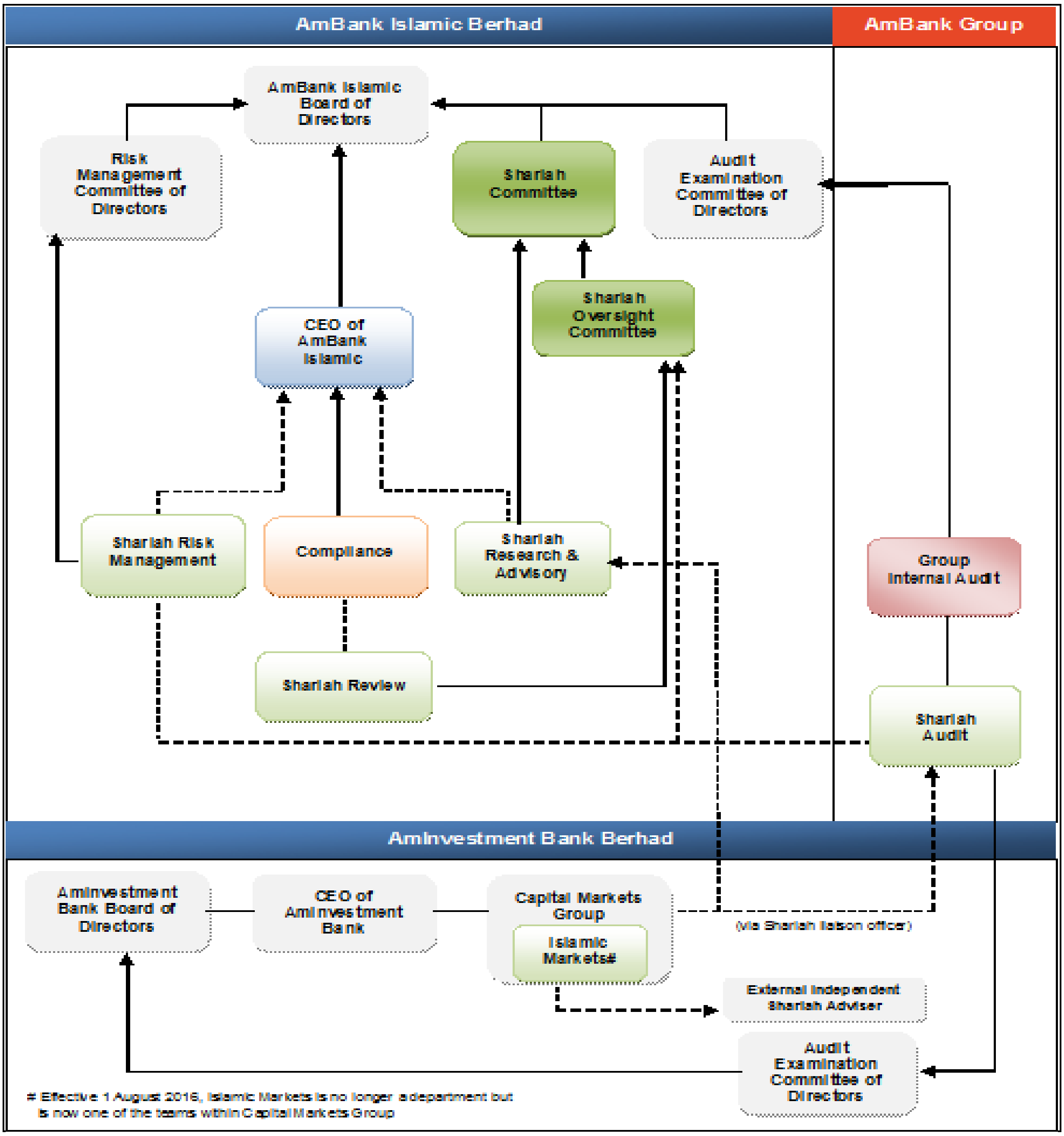
An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group is as follows:

	30 SEPTEMBER 2017	31 MARCH 2017
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	131,358	149,246
Value of unquoted (privately held) equities	141,903	99,281
Total	**273,261**	**248,527**
Net realised and unrealised gains/ (losses)		
Cumulative realised gains from sales and liquidations	46,972	5,538
Total unrealised losses	(8,709)	5,606
Total	**38,263**	**11,144**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	131,322	149,202
Equity investments subject to a 150% risk weight	212,909	148,988
Total	**344,231**	**298,190**
Total minimum capital requirement (8%)	**27,538**	**23,855**

12.0 Liquidity Risk and Funding Management

The liquidity risk management of the Group is aligned to BNM's 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 the 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 that the operations and business activities of AmBank Islamic Berhad ("AmBank Islamic") comply with Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013.

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 Department 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 Securities Commission 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.

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

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

Risk Management Committee of Directors
RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

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

Shariah Oversight Committee
The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, also performs an oversight function on Islamic banking, finance and capital market products 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/CEO
Management, including the Chief Executive Officer ("CEO") is responsible to make reference to the Shariah Committee or the external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management or the CEO is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

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

13.0 Shariah Governance Structure (Cont'd.)

Shariah Risk Management

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

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

Shariah Review

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

Shariah Audit

The Shariah Audit function is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking, finance and capital market product and services operations through Shariah Audit function. The Shariah audit covers all activities particularly the operational components of AmBank Islamic and Islamic window of AmInvestment that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

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 at AmBank Islamic ("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 the Group with regards to Islamic capital market products and services.

13.1 Shariah Non-Compliant incidents and income

There had been no Shariah non-compliant incidents and income for the financial period ended 30 September 2017 and year ended 31 March 2017.