AmBank (M) Berhad

Pillar 3 Disclosure

As at 30 September 2017

RWCAF - Pillar 3 Disclosure
30 September 2017

Contents

1.0 Scope of Application

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

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

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

Capital Adequacy Ratios

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

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

Pursuant to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines are at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8% for total capital ratio. Banking institutions are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

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

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

These Pillar 3 disclosure of the Group are available on the Group's corporate website at www.ambankgroup.com.

1.1 Basis of Consolidation

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

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

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

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

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

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB 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; and/or
(b) Capital requirement to support business growth, strategic objectives, buffer for material regulatory risks and stress test results.

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

2.0 Capital Management (Cont'd.)

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

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

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

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

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

2.0 Capital Management (Cont'd.)

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

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 Common Equity Tier ("CET 1") 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 Ratio

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

	Group		Bank	
	30 September 2017	**31 March 2017**	**30 September 2017**	**31 March 2017**
Before deducting proposed dividends:				
CET 1 Capital ratio	11.635%	11.942%	11.014%	11.230%
Tier 1 Capital ratio	12.881%	13.203%	12.247%	12.478%
Total Capital ratio	16.637%	16.840%	15.963%	16.073%
After deducting proposed dividends:				
CET 1 Capital ratio	11.388%	11.471%	10.770%	10.764%
Tier 1 Capital ratio	12.634%	12.732%	12.002%	12.012%
Total Capital ratio	16.390%	16.369%	15.718%	15.607%

As part of an arrangement between the Bank and AmBank Islamic in relation to a Restricted Investment Account ("RIA") agreement, the Bank records as "Investment Account" its exposure in the arrangement, whereas AmBank Islamic records its exposure as "Financing and advances". The RIA is a contract based on Shariah concept of Mudarabah between the Bank and AmBank Islamic to finance a specific business venture whereby the Bank solely provides capital and the business venture is managed solely by AmBank Islamic as the entrepreneur. The RIA exposes the Bank to the risks and rewards of the financing, and accordingly the Bank accounts for all impairment allowances and risk weighted assets arising from the RIA arrangement.

As at 30 September 2017, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank 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.

Table 2.2 : Risk-Weighted Assets and Capital Requirements

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

30 September 2017 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	4,688,122		4,688,122	-	-
Public Sector Entities ("PSEs")	40,679		40,679	8,136	651
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	5,723,620		5,723,620	1,201,368	96,109
Corporates	36,015,624		34,396,584	29,266,463	2,341,317
Regulatory retail	21,900,110		21,718,515	16,526,545	1,322,124
Residential mortgages	14,807,625		14,792,157	5,500,029	440,002
Higher risk assets	150,464		150,386	225,578	18,046
Other assets	1,424,367		1,424,367	1,086,618	86,929
Securitisation exposures	43,083		43,083	10,478	838
Equity exposures	127		127	127	10
Defaulted exposures	731,148		723,245	711,537	56,923
Total on balance sheet exposures	**85,524,969**		**83,700,885**	**54,536,879**	**4,362,949**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	1,951,327		1,766,830	926,158	74,093
Credit derivatives	13		13	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,763,701		8,728,336	7,781,835	622,547
Defaulted exposures	29,065		20,886	31,184	2,495
Total off balance sheet exposures	**11,744,106**		**10,516,065**	**8,739,184**	**699,136**
Total on and off balance sheet exposures	**97,269,075**		**94,216,950**	**63,276,063**	**5,062,085**
2. **Large exposure risk requirement**	-		-	73,553	5,884
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	96,377,033	92,456,963		1,632,308	130,585
- Specific interest rate risk	4,256,077	258,576		67,336	5,387
Foreign currency risk	231,185	325,096		325,096	26,008
Equity risk					
- General risk	105,602	26,746		78,856	6,308
- Specific risk	105,602	26,746		113,628	9,090
Option risk	776,739	391,307		10,205	816
Total	**101,852,238**	**93,485,434**		**2,227,429**	**178,194**
4. **Operational risk**				4,078,933	326,315
5. **Total RWA and capital requirements**				**69,655,978**	**5,572,478**

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

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

31 March 2017 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	4,481,465		4,472,081	4,444	356
Public Sector Entities ("PSEs")	40,601		40,601	8,120	649
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	4,943,739		4,943,739	998,587	79,887
Insurance companies, Securities firms and Fund managers	73		73	73	6
Corporates	35,660,463		34,086,370	28,386,745	2,270,940
Regulatory retail	20,540,727		20,368,356	15,447,389	1,235,791
Residential mortgages	14,307,426		14,290,106	5,276,362	422,109
Higher risk assets	108,342		108,266	162,399	12,992
Other assets	2,138,849		2,138,849	1,668,487	133,479
Securitisation exposures	53,095		53,095	12,303	984
Equity exposures	576		576	576	46
Defaulted exposures	850,954		828,455	786,545	62,924
Total on balance sheet exposures	**83,126,310**		**81,330,567**	**52,752,030**	**4,220,163**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	3,804,836		3,804,836	1,924,329	153,946
Credit derivatives	14		14	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,506,262		8,495,814	7,604,802	608,384
Defaulted exposures	17,750		15,882	22,067	1,765
Total off balance sheet exposures	**13,328,862**		**12,316,546**	**9,551,205**	**764,096**
Total on and off balance sheet exposures	**96,455,172**		**93,647,113**	**62,303,235**	**4,984,259**
2. **Large exposure risk requirement**	-		-	30,573	2,446
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	102,075,467	95,849,375		1,626,315	130,105
- Specific interest rate risk	6,315,121	296,676		130,170	10,414
Foreign currency risk	201,192	361,329		361,329	28,906
Equity risk					
- General risk	73,479	14,893		58,586	4,687
- Specific risk	73,479	14,893		47,173	3,774
Option risk	363,329	199,741		8,289	663
Total	**109,102,067**	**96,736,907**		**2,231,862**	**178,549**
3. **Operational risk**				4,219,239	337,539
4. **Total RWA and capital requirements**				**68,784,909**	**5,502,793**

For 30 September 2017 and 31 March 2017, the Group does not have Restricted Investment Account ("RIA") that qualifies as a risk absorbent.

3.0 Capital Structure

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

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

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

3.1 CET 1 Capital

CET 1 Capital consists of the following:

a) Paid-up Ordinary Share Capital

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

b) Retained Earnings

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

3.1 CET 1 Capital (Cont'd.)

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 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 and the Bank had previously maintained the reserve fund via transfer from retained earnings to Statutory Reserve. Arising from this change, the Group and the Bank had reclassified balances in Statutory Reserve to Retained earnings.

ii) Regulatory Reserve

Regulatory reserve is maintained in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent.

iii) Merger Reserve

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

iv) 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.

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

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

vi) Cash Flow Hedging Reserve/(Deficit)

This account relates to the amount of the hedging of the items that are not fair valued in the statement of financial position (including projected cash flows). Cash flow hedging gain as at the reporting period is classified as cash flow hedging reserve and cash flow hedging losses is classified as cash flow hedging deficit. The amount of the cash flow hedging reserve/(deficit) is derecognised in the calculation of CET 1 Capital.

3.2 Additional Tier 1 Capital

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

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

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**	

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%	-

Note 1 : Repaid in full on its first call date of 27 January 2016.

3.2 Additional Tier 1 Capital (Cont'd.)

Innovative Tier 1 Capital

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

Innovative Tier 1 Capital Securities

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

Non-innovative Tier 1 Capital

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

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

(collectively known as “Stapled Capital Securities”).

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

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

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

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

3.3 Tier 2 Capital

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

The amount of Tier 2 Capital issued prior to 2013 that can be recognised in the computation of the capital adequacy ratios of the Group and the Bank for 2013, has been capped at 90% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. For 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 to the transitional gradual phase-out treatment under the Basel III regime. Table 3.2 outlines the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for the Group and the Bank. Details of the Tier 2 Capital Instruments are outlined below.

Table 3.2: Tier 2 Capital Instruments of the Group and the Bank and the Basel III Gradual Phase-Out Treatment

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

Medium Term Notes

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

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

3.3 Tier 2 Capital (Cont'd.)

Medium Term Notes (Cont'd.)

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

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

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

Basel III Subordinated Notes

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

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

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

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

Table 3.3: Capital Structure

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

	Group		Bank	
	30 September 2017 RM'000	31 March 2017 RM'000	30 September 2017 RM'000	31 March 2017 RM'000
CET 1 Capital				
Ordinary shares	1,763,208	1,763,208	1,763,208	1,763,208
Regulatory reserve	342,133	163,820	342,133	163,820
Retained earnings	6,600,805	5,657,191	6,363,014	5,371,939
Available-for-sale deficit	(13,311)	(12,232)	(13,464)	(12,233)
Foreign currency translation reserve	100,572	127,243	95,205	119,797
Statutory reserve	-	980,969	-	980,969
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve	1,494	3,010	1,494	3,010
Less: Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(414,237)	(406,506)	(414,235)	(406,504)
Deferred tax assets	(36,434)	-	(36,224)	-
Cash flow hedging reserve	(1,494)	(3,010)	(1,494)	(3,010)
Regulatory reserve	(342,133)	(163,820)	(342,133)	(163,820)
Investment in ordinary shares of unconsolidated financial entities	-	-	(6,790)	(6,808)
Total CET 1 Capital	**8,104,752**	**8,214,022**	**7,750,714**	**7,810,368**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	867,550	867,550	867,550
Qualifying CET 1, Additional Tier 1 capital instruments held by third parties	2	2	-	-
Total Tier 1 Capital	**8,972,304**	**9,081,574**	**8,618,264**	**8,677,918**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	900,000	900,000	900,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	983,900	983,900	983,900
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserve	732,348	618,235	732,334	618,212
Less: Regulatory adjustments applied on Tier 2 Capital	-	-	(1,698)	(1,702)
Total Tier 2 Capital	**2,616,249**	**2,502,136**	**2,614,536**	**2,500,410**
Total Capital	**11,588,553**	**11,583,710**	**11,232,800**	**11,178,328**

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

	Group		Bank	
	30 September 2017 RM'000	31 March 2017 RM'000	30 September 2017 RM'000	31 March 2017 RM'000
Credit RWA	63,276,063	62,303,235	64,018,587	63,094,846
Market RWA	2,227,429	2,231,862	2,227,056	2,231,439
Operational RWA	4,078,933	4,219,239	4,049,396	4,190,538
Large exposure risk RWA for equity holdings	73,553	30,573	73,553	30,573
Total RWA	**69,655,978**	**68,784,909**	**70,368,592**	**69,547,396**

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.

The AMMB Group Risk Direction

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

1. The AMMB Group aims to maintain an external rating of AA1 or better based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The AMMB Group aims to achieve and sustain a Return on Risk Weighted Assets ("RoRWA") in the range of 1.5% to 1.8%.
3. The AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4. The AMMB 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. The AMMB Group aims to maintain the following Capital Adequacy Ratios (CARs) under normal conditions:
   CET 1, Tier 1 and total capital ratio of at least 2 percentage points above regulatory minimum.
6. The AMMB 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 PATMI.
   b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
7. The AMMB 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. The AMMB Group aims to maintain RWA efficiency (Credit Risk weighted Assets/EAD) in the range of 50% to 60%.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The RMCD 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 Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, compliance risk, reputational risk, product risk and business and IT project risk.

** As per PIDM defination

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, • Wholesale 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, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

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

For non-retail credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the Bank'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 Bank'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 loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

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

- concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country.
- setting Loan to Value limits for asset backed loans (i.e., property exposures and other collateral);
- classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- rescheduled and restructured ("R&R") Account Management sets out the controls in managing R&R loans pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans; 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.

5.0 Credit Risk Management (Cont'd.)

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

The GMRC regularly meets to review the quality and diversification of the Group's loan portfolio, and review the portfolio risk profile against the 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, impairments, flow rates of loan delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

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

5.1 Impairment

5.1.1 Definition of past due and impaired loans and advances

All loans and advances are categorised as either:

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

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

A loan is classified as impaired under the following circumstances:

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

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

(d) a loan may also be classified as impaired:

i. if it is probable that the Group and the Bank will be unable to collect all amounts due (including both interest and principal) according to the contractual terms of the agreement; or

ii. due to cross-default. Cross-default occurs when:

- a default of a loan obligation of a customer triggers a default of another loan obligation of the same customer or
- a default of a loan obligation of a customer triggers a default of a loan obligation of other customers within the same customer group.

The Watchlist and 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.

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

2 *Material obligation as determined by Management. 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.*

5.1 Impairment (Cont'd)

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

(e) debt instruments (for example, corporate bond and sukuk, debt converted instrument 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) the loan is deemed impaired when it is classified as rescheduled or restructured (“R&R”) in the Central Credit Reference Information System (“CCRIS”)

5.1.2 Methodology for Determination of Individual and Collective Allowances

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

Individual Assessment

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

(a) Trigger management

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

(b) Valuation of assets

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

Collective Assessment

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

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

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 with an explicit guarantee from the Government of Malaysia*

Table 5.1 : Distribution of gross credit exposures by sector

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

30 September 2017	**Agriculture**	**Mining and quarrying**	**Manufacturing**	**Electricity, gas and water**	**Construction**	**Wholesale and retail trade and hotels and restaurants**	**Transport, storage and communication**	**Finance and insurance**	**Government and central banks**	**Real estate**	**Business activities**	**Education and health**	**Household**	**Others**	**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**
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	4,688,122	-	-	-	-	-	4,688,122
PSEs	-	-	-	-	-	-	-	-	-	-	40,679	-	-	-	40,679
Banks, DFIs and MDBs	-	-	-	-	-	-	-	5,723,620	-	-	-	-	-	-	5,723,620
Corporates	1,676,385	939,321	6,124,268	1,430,276	4,430,729	4,183,833	2,338,917	4,505,561	-	5,871,579	1,016,869	2,084,300	1,348,871	64,715	36,015,624
Regulatory retail	23,256	6,697	163,453	3,325	91,167	195,079	32,803	3,639	-	68,099	77,610	93,432	21,133,568	7,982	21,900,110
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	14,807,625	-	14,807,625
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,386	131,078	150,464
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,424,367	1,424,367
Securitisation exposures	-	-	-	-	-	-	-	20,925	-	22,158	-	-	-	-	43,083
Equity exposures	-	-	8	-	-	-	-	-	-	-	-	-	-	119	127
Defaulted exposures	217	94,995	49,688	1	3,323	19,890	12,599	-		138,060	15,887	1,245	394,868	375	731,148
Total for on balance sheet exposures	1,699,858	1,041,013	6,337,417	1,433,602	4,525,219	4,398,802	2,384,319	10,253,745	4,688,122	6,099,896	1,151,045	2,178,977	37,704,318	1,628,636	85,524,969
Off balance sheet exposures															
OTC derivatives	10,288	243,087	96,201	-	178	10,911	32,088	1,540,530	-	8,463	871	5,100	261	3,349	1,951,327
Credit derivatives	-	-	-	-	-	-	-	13	-	-	-	-	-	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatitives	219,449	281,376	1,543,416	380,770	2,354,043	696,989	308,773	403,043	-	1,001,809	203,438	184,861	2,179,320	6,414	9,763,701
Defaulted exposures	-	-	3,347	-	52	501	2	-	-	14,097	222	-	10,764	80	29,065
Total for off balance sheet exposures	229,737	524,463	1,642,964	380,770	2,354,273	708,401	340,863	1,943,586	-	1,024,369	204,531	189,961	2,190,345	9,843	11,744,106
Total on and off balance sheet exposures	**1,929,595**	**1,565,476**	**7,980,381**	**1,814,372**	**6,879,492**	**5,107,203**	**2,725,182**	**12,197,331**	**4,688,122**	**7,124,265**	**1,355,576**	**2,368,938**	**39,894,663**	**1,638,479**	**97,269,075**

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

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

31 March 2017	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	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
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	4,481,465	-	-	-	-	-	4,481,465
PSEs	-	-	-	-	-	-	-	40,539	-	-	-	62	-	-	40,601
Banks, DFIs and MDBs	-	-	-	-	-	-	-	4,943,739	-	-	-	-	-	-	4,943,739
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	73	-	-	-	-	-	-	73
Corporates	1,864,028	1,256,746	6,329,807	653,361	4,508,349	3,985,251	2,133,302	4,711,978	-	5,817,482	811,531	2,191,544	1,333,705	63,379	35,660,463
Regulatory retail	16,199	5,292	119,241	3,530	71,585	162,817	29,347	3,036	-	63,926	62,615	82,553	19,913,640	6,946	20,540,727
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	14,307,426	-	14,307,426
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,878	88,464	108,342
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	2,138,849	2,138,849
Securitisation exposures	-	-	-	-	-	-	-	30,995	-	22,100	-	-	-	-	53,095
Equity exposures	-	-	8	-	-	-	-	435	-	-	-	-	-	133	576
Defaulted exposures	399	120,953	31,443	-	21,897	25,332	3,905	1	-	238,177	2,900	2,015	403,413	519	850,954
Total for on balance sheet exposures	1,880,626	1,382,991	6,480,499	656,891	4,601,831	4,173,400	2,166,554	9,730,796	4,481,465	6,141,685	877,046	2,276,174	35,978,062	2,298,290	83,126,310
Off balance sheet exposures															
OTC derivatives	8,295	282,899	98,873	-	8	8,580	54,040	3,340,276	-	8,337	3,370	151	-	7	3,804,836
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	185,799	385,967	1,551,250	289,761	2,211,890	731,616	304,767	419,326	-	1,014,867	130,617	272,459	2,003,147	4,796	9,506,262
Defaulted exposures	-	-	506	-	273	483	-	-	-	6,531	3	-	9,873	81	17,750
Total for off balance sheet exposures	194,094	668,866	1,650,629	289,761	2,212,171	740,679	358,807	3,759,616	-	1,029,735	133,990	272,610	2,013,020	4,884	13,328,862
Total on and off balance sheet exposures	**2,074,720**	**2,051,857**	**8,131,128**	**946,652**	**6,814,002**	**4,914,079**	**2,525,361**	**13,490,412**	**4,481,465**	**7,171,420**	**1,011,036**	**2,548,784**	**37,991,082**	**2,303,174**	**96,455,172**

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

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

30 September 2017	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	336	133,372	155,378	105	4,776	31,204	14,743	-	299,798	5,536	1,321	498,692	1,845	-	**1,147,106**
Past due loans	13,285	120,979	211,115	346	94,732	78,416	23,922	12	320,058	20,962	19,974	6,995,967	4,337		**7,904,105**
Individual allowance	-	35,906	91,082	-	81	4,588	1,577	-	146,245	834	-	7,195	482	-	**287,990**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	530,880	**530,880**
Charges/(writeback) for individual allowance	-	8,235	40,194	-	-	4,138	1,673	-	(5,427)	806	-	1,881	482	-	**51,982**
individual allowance/	-	1,514	193	-	-	-	96	-	1,282	-	-	1,700	-	-	**4,785**

31 March 2017	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	636	150,058	88,773	100	5,799	32,629	4,567	1	399,114	5,824	2,847	503,827	4,287	-	**1,198,462**
Past due loans	5,528	138,425	165,057	121	27,464	66,200	35,640	1,829	86,478	33,300	14,829	6,425,821	10,580	-	**7,011,272**
Individual allowance	-	29,185	51,081	-	81	450	-	-	152,954	28	-	7,014	-	-	**240,793**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	608,795	**608,795**
Charges/(writeback) for individual allowance	-	42,539	50,758	-	(11,071)	2,815	3,738	-	142,240	(334)	-	5,280	67	-	**236,032**
Write-offs against individual allowance	-	25,201	121,549	-	270	5,565	13,173	-	73,005	2,738	-	4,572	469	-	**246,542**

Table 5.3 : Geographical distribution of credit exposures

The geographic distribution of credit exposures of the 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	4,688,122	-	4,688,122
PSEs	40,679	-	40,679
Banks, DFIs and MDBs	4,329,576	1,394,044	5,723,620
Corporates	34,061,585	1,954,039	36,015,624
Regulatory retail	21,900,110	-	21,900,110
Residential mortgages	14,807,625	-	14,807,625
Higher risk assets	150,427	37	150,464
Other assets	1,282,703	141,664	1,424,367
Securitisation exposures	43,083	-	43,083
Equity exposures	127	-	127
Defaulted exposures	631,779	99,369	731,148
Total for on balance sheet exposures	**81,935,816**	**3,589,153**	**85,524,969**
Off balance sheet exposures			
OTC derivatives	1,669,927	281,400	1,951,327
Credit derivatives	13	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,268,798	494,903	9,763,701
Defaulted exposures	27,763	1,302	29,065
Total for off balance sheet exposures	**10,966,501**	**777,605**	**11,744,106**
Total on and off balance sheet exposures	**92,902,317**	**4,366,758**	**97,269,075**

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

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

31 March 2017	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	4,472,577	8,888	4,481,465
PSEs	40,601	-	40,601
Banks, DFIs and MDBs	4,069,335	874,404	4,943,739
Insurance companies, Securities firms and Fund managers	73	-	73
Corporates	33,460,769	2,199,694	35,660,463
Regulatory retail	20,540,727	-	20,540,727
Residential mortgages	14,307,426	-	14,307,426
Higher risk assets	108,298	44	108,342
Other assets	2,051,869	86,980	2,138,849
Securitisation exposures	53,095	-	53,095
Equity exposures	576	-	576
Defaulted exposures	769,460	81,494	850,954
Total for on balance sheet exposures	**79,874,806**	**3,251,504**	**83,126,310**
Off balance sheet exposures			
OTC derivatives	3,800,937	3,899	3,804,836
Credit derivatives	14	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	8,838,948	667,314	9,506,262
Defaulted exposures	17,750	-	17,750
Total for off balance sheet exposures	**12,657,649**	**671,213**	**13,328,862**
Total on and off balance sheet exposures	**92,532,455**	**3,922,717**	**96,455,172**

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

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

30 September 2017	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Impaired loans and advances	1,067,081	80,025	1,147,106
Past due loans	7,828,101	76,004	7,904,105
Individual allowance	283,384	4,606	287,990
Collective allowance	525,455	5,425	530,880

31 March 2017	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Impaired loans and advances	1,116,969	81,493	1,198,462
Past due loans	6,922,375	88,897	7,011,272
Individual allowance	240,784	9	240,793
Collective allowance	602,732	6,063	608,795

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

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

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	2,149,944	-	-	-	51,736	-	2,486,442	-	4,688,122
PSEs	-	-	-	19	40,660	-	-	-	40,679
Banks, DFIs and MDBs	4,172,852	547,246	170,452	187,619	-	-	183,641	461,810	5,723,620
Corporates	10,267,860	3,068,706	1,679,784	733,557	4,556,160	5,027,725	10,681,832	-	36,015,624
Regulatory retail	78,251	37,715	69,148	251,812	1,909,808	4,292,624	15,260,752	-	21,900,110
Residential mortgages	467	312	1,104	4,159	53,278	127,781	14,620,524	-	14,807,625
Higher risk assets	71	7	4	41	529	742	17,991	131,079	150,464
Other assets	651,722	652	38,120	-	-	-	-	733,873	1,424,367
Securitisation exposures	49	-	-	-	-	-	43,034	-	43,083
Equity exposures	-	-	-	-	-	-	8	119	127
Defaulted exposures	155,118	2,765	4,136	21,864	103,473	55,057	388,735	-	731,148
Total for on balance sheet exposures	**17,476,334**	**3,657,403**	**1,962,748**	**1,199,071**	**6,715,644**	**9,503,929**	**43,682,959**	**1,326,881**	**85,524,969**
Off balance sheet exposures									
OTC derivatives	28,055	85,584	47,523	65,207	95,393	249,331	1,380,234	-	1,951,327
Credit derivatives	-	-	-	-	-	13	-	-	13
Off balance sheet exposures other than OTC derivatives or Credit derivatives	932,598	349,154	1,140,371	1,355,385	1,467,488	671,892	3,846,813	-	9,763,701
Defaulted exposures	2,461	82	2,750	8,817	3,318	1,828	9,809	-	29,065
Total for off balance sheet exposures	**963,114**	**434,820**	**1,190,644**	**1,429,409**	**1,566,199**	**923,064**	**5,236,856**	**-**	**11,744,106**
Total on and off balance sheet exposures	**18,439,448**	**4,092,223**	**3,153,392**	**2,628,480**	**8,281,843**	**10,426,993**	**48,919,815**	**1,326,881**	**97,269,075**

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

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

31 March 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	1,482,753	-	-	-	184,714	80,503	2,733,495	-	4,481,465
PSEs	-	-	-	-	40,573	28	-	-	40,601
Banks, DFIs and MDBs	3,990,437	420,953	150,691	71,347	187,290	-	123,021	-	4,943,739
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	73	-	73
Corporates	8,685,506	3,195,781	2,550,200	922,042	3,914,368	4,840,217	11,552,349	-	35,660,463
Regulatory retail	93,772	26,265	72,770	201,127	1,985,275	4,048,328	14,113,190	-	20,540,727
Residential mortgages	361	324	923	4,149	51,575	127,878	14,122,216	-	14,307,426
Higher risk assets	30	-	70	14	521	822	18,420	88,465	108,342
Other assets	559,134	2,111	32,096	126,557	-	-	-	1,418,951	2,138,849
Securitisation exposures	39	-	-	-	-	-	53,056	-	53,095
Equity exposures	435	-	-	-	-	-	8	133	576
Defaulted exposures	254,610	19,304	4,006	7,086	132,406	56,594	376,948	-	850,954
Total for on balance sheet exposures	**15,067,077**	**3,664,738**	**2,810,756**	**1,332,322**	**6,496,722**	**9,154,370**	**43,092,776**	**1,507,549**	**83,126,310**
Off balance sheet exposures									
OTC derivatives	197,100	366,062	167,661	280,018	251,422	955,834	1,586,739	-	3,804,836
Credit derivatives	-	-	-	-	-	14	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	837,231	766,103	493,082	1,491,655	1,442,167	734,081	3,741,943	-	9,506,262
Defaulted exposures	822	1,072	383	1,944	1,695	3,823	8,011	-	17,750
Total for off balance sheet exposures	**1,035,153**	**1,133,237**	**661,126**	**1,773,617**	**1,695,284**	**1,693,752**	**5,336,693**	**-**	**13,328,862**
Total on and off balance sheet exposures	**16,102,230**	**4,797,975**	**3,471,882**	**3,105,939**	**8,192,006**	**10,848,122**	**48,429,469**	**1,507,549**	**96,455,172**

Table 5.6 : Reconciliation of changes to loans impairment allowances

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

	Collective impairment allowance		Individual impairment allowances	
	30 September 2017 RM'000	31 March 2017 RM'000	30 September 2017 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	608,795	730,849	240,793	251,303
Charge to income statement, net	67,157	178,540	51,982	236,032
Amount written-off	(144,945)	(302,841)	(3,271)	(248,244)
Amount transfer from AmBank Islamic*	904	-	-	-
Foreign exchange differences	(1,031)	2,247	(1,514)	1,702
Balance at end of the financial period/year **	**530,880**	**608,795**	**287,990**	**240,793**

	(Charge offs)/ recoveries	
	30 September 2017 RM'000	31 March 2017 RM'000
Bad debts written off during the financial period/year	(45,481)	(89,789)
Bad debt recoveries during the financial period/year	235,970	652,706

* On 29 September 2017, the Bank 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 the Bank.

** As at 30 September 2017, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank 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 the Standardised Approach

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

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

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

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

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

30 September 2017	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residental mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	4,688,123	-	5,093	-	2,418,844	-	-	-	337,749	-	-	7,449,809	-
20%	6,545	40,679	6,665,947	-	3,269,809	82,401	-	-	-	42,932	-	10,108,313	2,021,663
35%	-	-	-	-	-	-	12,669,579	-	-	-	-	12,669,579	4,434,353
50%	-	-	480,255	-	902,359	19,476	2,277,589	-	-	-	-	3,679,679	1,839,839
75%	-	-	-	-	-	22,450,096	-	-	-	-	-	22,450,096	16,837,572
100%	-	-	-	34,150	34,864,332	1,251,474	59,781	-	1,086,618	-	127	37,296,482	37,296,482
150%	-	-	-	-	326,293	68,217	-	168,331	-	-	-	562,841	844,262
1250%	-	-	-	-	-	-	-	-	-	151	-	151	1,892
Total	**4,694,668**	**40,679**	**7,151,295**	**34,150**	**41,781,637**	**23,871,664**	**15,006,949**	**168,331**	**1,424,367**	**43,083**	**127**	**94,216,950**	**63,276,063**

31 March 2017	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residental mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	4,463,193	-	5,064	-	2,730,835	-	-	-	470,357	-	-	7,669,449	-
20%	13,306	40,601	5,793,424	-	3,954,936	27,888	-	-	6	52,958	-	9,883,119	1,976,624
35%	-	-	-	-	-	-	12,479,806	-	-	-	-	12,479,806	4,367,932
50%	8,888	-	2,244,010	-	912,892	21,762	1,965,554	-	-	-	-	5,153,106	2,576,553
75%	-	-	-	-	-	21,368,978	-	-	-	-	-	21,368,978	16,026,733
100%	-	-	-	30,259	33,961,526	843,331	66,016	-	1,668,486	-	576	36,570,194	36,570,194
150%	-	-	-	-	317,191	79,021	-	126,112	-	-	-	522,324	783,487
1250%	-	-	-	-	-	-	-	-	-	137	-	137	1,712
Total	**4,485,387**	**40,601**	**8,042,498**	**30,259**	**41,877,380**	**22,340,980**	**14,511,376**	**126,112**	**2,138,849**	**53,095**	**576**	**93,647,113**	**62,303,235**

Table 6.2: Rated exposures according to ratings by ECAIs

30 September 2017	Ratings of corporate by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSEs	40,679.00	40,636.00	-	-	-	43
Insurance companies, Securities firms and Fund managers	34,150	-	-	-	-	34,150
Corporates	44,539,842	2,439,037	1,687,643	-	-	40,413,162
Total	**44,614,671**	**2,479,673**	**1,687,643**	**-**	**-**	**40,447,355**

31 March 2017	Ratings of corporate by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSEs	40,601	40,539	-	-	-	62
Insurance companies, Securities firms and Fund managers	30,259	-	-	-	-	30,259
Corporates	44,468,783	2,662,551	1,620,539	-	-	40,185,693
Total	**44,539,643**	**2,703,090**	**1,620,539**	**-**	**-**	**40,216,014**

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

30 September 2017	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	4,694,668	-	4,694,668	-	-	-
Total	**4,694,668**	**-**	**4,694,668**	-	-	**-**

31 March 2017	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	4,494,771	-	4,485,883	8,888	-	-
Total	**4,494,771**	**-**	**4,485,883**	8,888	-	**-**

Company No. 8515-D

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

30 September 2017	**Ratings of banking institutions by approved ECAIs**					
	Moody's	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BBB3**	**BB1 to B3**	**Unrated**
Exposure class	**MARC**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	7,229,517	2,718,076	1,885,112	127,163	9	2,499,157
Total	**7,229,517**	**2,718,076**	**1,885,112**	**127,163**	**9**	**2,499,157**

31 March 2017	**Ratings of banking institutions by approved ECAIs**					
	Moody's	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BBB3**	**BB1 to B3**	**Unrated**
Exposure class	**MARC**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	8,042,498	3,088,560	2,288,282	412,308	413	2,252,935
Total	**8,042,498**	**3,088,560**	**2,288,282**	**412,308**	**413**	**2,252,935**

Table 6.3: Securitisation according to ratings by ECAIs

30 September 2017	**Ratings of securitisation by approved ECAIs**			
Exposure class	**Moody's**	**Aaa to Aa3**	**A1 to A3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**Unrated**
		RM'000	**RM'000**	**RM'000**
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**			
Exposure class	**Moody's**	**Aaa to Aa3**	**A1 to A3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**Unrated**
		RM'000	**RM'000**	**RM'000**
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 total exposures and eligible guarantees and collateral of the 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	4,688,122	-	-
PSEs	40,679	-	-
Banks, DFIs and MDBs	5,723,620	-	-
Corporates	36,015,624	354,049	3,591,888
Regulatory retail	21,900,110	81,857	264,079
Residential mortgages	14,807,625	-	85,865
Higher risk assets	150,464	-	122
Other assets	1,424,367	-	-
Securitisation exposures	43,083	-	-
Equity exposures	127	-	-
Defaulted exposures	731,148	1,012	78,297
Total for on balance sheet exposures	85,524,969	436,918	4,020,251
Off balance sheet exposures			
OTC derivatives	1,951,327	-	545,979
Credit derivatives	13	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,763,701	1,780	1,630,337
Defaulted exposures	29,065	-	8,224
Total for off balance sheet exposures	11,744,106	1,780	2,184,540
Total on and off balance sheet exposures	**97,269,075**	**438,698**	**6,204,791**

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

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

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	4,481,465	-	-
PSEs	40,601	-	-
Banks, DFIs and MDBs	4,943,739	-	-
Insurance companies, Securities firms and Fund managers	73	-	-
Corporates	35,660,463	285,397	3,560,717
Regulatory retail	20,540,727	27,278	244,929
Residential mortgages	14,307,426	-	98,945
Higher risk assets	108,342	-	128
Other assets	2,138,849	-	-
Securitisation exposures	53,095	-	-
Equity exposures	576	-	-
Defaulted exposures	850,954	640	128,681
Total for on balance sheet exposures	83,126,310	313,315	4,033,400
Off balance sheet exposures			
OTC derivatives	3,804,836	-	-
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,506,262	1,823	1,603,354
Defaulted exposures	17,750	-	2,023
Total for off balance sheet exposures	13,328,862	1,823	1,605,377
Total on and off balance sheet exposures	**96,455,172**	**315,138**	**5,638,777**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

30 September 2017	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	1,934,214		2,043,830	1,590,762
Transaction related contingent items	4,928,248		2,409,315	1,848,125
Short term self liquidating trade related contingencies	869,866		173,973	164,313
Forward asset purchases	358,636		14,845	7,806
Obligations under an on-going underwriting agreement	85,000		-	-
Foreign exchange related contracts				
One year or less	18,135,026	80,356	169,763	113,176
Over one year to five years	799,067	14,460	96,943	45,753
Over five years	624,821	153,774	258,769	250,608
Interest rate related contracts				
One year or less	589,732	1,145	2,318	718
Over one year to five years	1,063,844	9,036	42,207	15,524
Over five years	830,017	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 Derivatives transaction subject to valid bilateral netting agreements	75,862,505	691,699	1,258,129	447,826
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,243,761		1,621,880	1,303,006
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,998,804		2,836,198	2,383,271
Unutilised credit card lines	3,463,624		692,725	515,737
Total	**127,771,599**	**980,442**	**11,744,106**	**8,739,184**

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

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

31 March 2017	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	1,817,399		2,072,599	1,630,095
Transaction related contingent items	5,101,771		2,423,285	1,850,641
Short term self liquidating trade related contingencies	785,111		157,022	142,346
Forward asset purchases	670,621		27,809	9,001
Obligations under on-going underwriting agreements	85,000		-	-
Foreign exchange related contracts				
One year or less	46,187,005	465,386	956,974	540,668
Over one year to five years	1,828,562	57,579	259,689	135,854
Over five years	2,140,212	395,785	783,247	456,220
Interest rate related contracts				
One year or less	9,810,942	6,210	38,691	16,611
Over one year to five years	30,835,847	127,124	942,559	382,866
Over five years	9,598,780	106,390	803,491	374,429
Equity and commodity related contracts				
One year or less	228,591	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 over one year	3,067,133		1,533,567	1,228,386
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,559,443		2,740,245	2,342,485
Unutilised credit card lines	2,847,424		569,485	423,915
Total	**129,008,488**	**1,172,132**	**13,328,862**	**9,551,205**

Table 8.2 : Credit Derivatives Counterparty Credit Risk

Credit derivatives that create exposures to counterparty credit risk is 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, RM 150.0 million (31 March 2017: RM283.5 million) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group are as follows:

30 September 2017 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial 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 financial 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 Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to appplicable risk weights: Rated securitisation exposures or risk weights of guarantees/credit derivatives 20% RM'000	50% RM'000	1250% RM'000	Unrated (look-through) Exposure amount 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**
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	**43,083**	**43,083**	**-**	**42,932**	**-**	**151**	**-**	**10,478**

31 March 2017 Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to appplicable risk weights: Rated securitisation exposures or risk weights of guarantees/credit derivatives 20% RM'000	50% RM'000	1250% RM'000	Unrated (look-through) Exposure amount 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**
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	**53,095**	**53,095**	**-**	**52,958**	**-**	**137**	**-**	**12,303**

10.0 Non-Traded Market Risk

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

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

30 September 2017	Interest Rate/Rate of Return +100 bps RM'000	Interest Rate/Rate of Return -100 bps RM'000
Impact on Profit Before taxation	84,089	(84,089)
Impact on Equity	(321,477)	359,441

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	87,825	(87,825)
Impact on Equity	(345,920)	390,345

11.0 Equities (Banking Book Positions)

Table 11.1: Equity investments and capital requirement

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

Non traded equity investments	30 September 2017 RM'000	31 March 2017 RM'000
Value of quoted (publicly traded) equities	131,358	149,246
Value of unquoted (privately held) equities	130,183	87,561
Total	**261,541**	**236,807**
Net realised and unrealised (losses)/gains		
Cumulative realised gains from sales and liquidations	46,972	5,198
Total unrealised (losses)/gains	(8,709)	5,606
Total	**38,263**	**10,804**
Risk weighted assets		
Equity investments subject to a 100% risk weight	131,322	149,202
Equity investments subject to a 150% risk weight	195,329	131,408
Total	**326,651**	**280,610**
Total minimum capital requirement (8%)	**26,132**	**22,449**

12.0 Liquidity Risk and Funding Management

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