AmBank Islamic Berhad

CAFIB - Pillar 3 Disclosure

As at 30 September 2017

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30 September 2017

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1.0 Scope of Application

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

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

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

Capital Adequacy Ratios ("CAR")

BNM guidelines on capital adequacy require regulated banking entities 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.

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 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 for Islamic Banks (Basel II - Risk Weighted Assets).

Pursuant to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines are 4.5% for Common Equity Tier 1 ("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.

1.0 Scope of Application (Cont'd.)

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 Bank is available on the AmBank Group's corporate website at www.ambankgroup.com.

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

The capital plan takes the following into account:
(a) Regulatory capital requirements: and
(b) Capital requirement to support business growth, strategic objectives, buffer for material regulatory risks and stress test results.

The Bank uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Bank to gain a deeper understanding of its risk profile, 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 Bank's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Bank and how these events could be mitigated. The Bank's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

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

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

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

The Bank 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 Bank'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 ended 31 March 2018 ("FY 2018"), these ranges are 9.5% to 11.5% for the 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 Bank has been generally operating within these ranges.

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

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

2.0 Capital Management (Cont'd.)

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	30 September 2017	31 March 2017
Common Equity Tier 1 capital ratio	10.689%	10.498%
Tier 1 capital ratio	10.689%	10.498%
Total capital ratio	15.506%	15.069%

As part of an arrangement between AmBank (M) Berhad ("AmBank") and the Bank in relation to two Restricted Investment Account ("RIA") agreements, AmBank records as "Investment Account" its exposure in the arrangement, whereas the Bank records its exposure as "financing and advances". The RIA is a contract based on Shariah concept of Mudarabah Muqayyadah between AmBank and the Bank to finance a specific business venture whereby AmBank solely provides capital and the business ventures are managed solely by the Bank as the entrepreneur. The 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 were RM2,136.0 million and RM1.7 million respectively (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 weighted capital adequacy computation of the Bank 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

The breakdown of risk weighted assets (“RWA”) by exposures in major risk category of the Bank 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	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		3,415,424	3,415,424	-	-	-	-
Public Sector Entities ("PSE")		699	699	140	-	140	11
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		3,222,449	3,222,449	758,806	-	758,806	60,704
Corporates		17,091,310	16,915,499	13,843,482	2,136,047	11,707,435	936,595
Regulatory Retail		12,366,927	12,227,255	10,040,597	-	10,040,597	803,248
Residential Mortgages		262,410	262,393	101,185	-	101,185	8,095
Higher Risk Assets		557	557	835	-	835	67
Other Assets		166,197	166,197	166,197	-	166,197	13,296
Defaulted Exposures		534,527	522,835	727,841	-	727,841	58,227
Total for On-Balance Sheet Exposures		**37,060,500**	**36,733,308**	**25,639,083**	**2,136,047**	**23,503,036**	**1,880,243**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		189,484	189,484	120,729	-	120,729	9,658
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		2,975,523	2,045,119	1,713,309	-	1,713,309	137,065
Defaulted Exposures		4,603	3,691	5,530	-	5,530	442
Total for Off-Balance Sheet Exposures		**3,169,610**	**2,238,294**	**1,839,568**	**-**	**1,839,568**	**147,165**
Total On and Off-Balance Sheet Exposures		**40,230,110**	**38,971,602**	**27,478,651**	**2,136,047**	**25,342,604**	**2,027,408**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	2,826,649	2,255,226		143,150		143,150	11,452
- Specific rate of return risk	596,598	59,875		2,031		2,031	162
Foreign Currency Risk	42,948	2,069		42,948		42,948	3,436
Option Risk	65,000	-		1,016		1,016	81
Total	**3,531,195**	**2,317,170**		**189,145**	**-**	**189,145**	**15,131**
4. **Operational Risk**				1,386,461		1,386,461	110,917
5. **Total RWA and Capital Requirements**				29,054,257	2,136,047	26,918,210	2,153,456

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

The breakdown of risk weighted assets (“RWA”) by exposures in major risk category of the Bank are 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	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		3,300,707	3,300,707	-	-	-	-
Public Sector Entities		1,020	1,020	204	-	204	16
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		2,221,643	2,221,643	484,443	-	484,443	38,755
Corporates		17,597,216	17,394,029	14,280,838	1,604,369	12,676,469	1,014,118
Regulatory Retail		12,084,535	12,067,397	9,778,648	-	9,778,648	782,292
Residential Mortgages		261,845	261,828	100,790	-	100,790	8,063
Higher Risk Assets		560	560	840	-	840	67
Other Assets		169,609	169,609	169,609	-	169,609	13,569
Defaulted Exposures		424,125	422,596	583,759	-	583,759	46,701
Total for On-Balance Sheet Exposures		**36,061,260**	**35,839,389**	**25,399,131**	**1,604,369**	**23,794,762**	**1,903,581**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		202,285	202,285	145,755	-	145,755	11,660
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		2,567,268	1,681,489	1,558,951	-	1,558,951	124,716
Defaulted Exposures		3,202	2,232	3,341	-	3,341	267
Total for Off-Balance Sheet Exposures		**2,772,755**	**1,886,006**	**1,708,047**	**-**	**1,708,047**	**136,643**
Total On and Off-Balance Sheet Exposures		**38,834,015**	**37,725,395**	**27,107,178**	**1,604,369**	**25,502,809**	**2,040,224**
2. **Large Exposure Risk Requirement**				-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	3,331,590	2,609,154		147,604	-	147,604	11,808
- Specific rate of return risk	697,396	9,968		6,115	-	6,115	489
Foreign Currency Risk	21,194	199		21,194	-	21,194	1,696
Option Risk	65,000	-		4,063		4,063	325
Total	**4,115,180**	**2,619,321**		**178,976**	**-**	**178,976**	**14,318**
4. **Operational Risk**				1,410,237	-	1,410,237	112,819
5. **Total RWA and Capital Requirements**				28,696,391	1,604,369	27,092,022	2,167,361

3.0 Capital Structure

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

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

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The existing Tier 2 Capital instruments of the Bank 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. The Bank's Tier 2 Capital instruments qualify for the gradual phase-out treatment under the transitional arrangements of the Basel III accord. Under this treatment, the amount of capital instruments that can be recognized by the Bank shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital (if any) and Tier 2 Capital respectively), with the cap reducing by 10% in each subsequent year. To the extent that an instrument is redeemed or derecognized after 1 January 2013, the amount serving as the base is not reduced.

3.1 Common Equity Tier 1 Capital

Common Equity Tier 1 Capital consists of the following:

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

On 29 September 2017, the Bank increased its issued and paid-up ordinary share capital by RM200.0 million from RM1,187,107,330 to RM1,387,107,331 by way of issuance of 31,446,541 new ordinary shares at an issue price of RM6.36 per ordinary share. The new ordinary shares issued during the current financial period rank pari passu in all respects with the existing ordinary shares of the Bank.

3.1 Common Equity Tier 1 Capital (Cont'd.)

Retained Earnings

Retained earnings at the end of the financial year/period and eligible reserves are accumulated resources included in the shareholder's funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in 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.

Other Disclosed Reserves

Other disclosed reserves comprise the following:

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

  On 3 May 2017, BNM issued revised policy documents, Capital Funds Islamic Banks which is applicable for licensed Islamic banks. The key change in the revised policy documents is the removal of the requirement for banking institutions to maintain a reserve fund. The Bank had previously maintained the reserve fund via transfer from retained earnings to Statutory Reserve. Arising from this change, during the current financial quarter, the Bank had reclassified balances in Statutory Reserve to Retained earnings.

- **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.

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 Capital are collective impairment provision 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.

3.3 Tier 2 Capital (Cont'd.)

The amount of Tier 2 Capital Instruments issued prior to 2013 that can be recognized in the computation of the capital adequacy ratios of the Bank has been capped at 90% of the total qualifying Tier 2 balance outstanding as at 1 January 2013. For 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 3.1 outlines the application of the grandfathering provisions in respect of the Tier 2 Capital instruments for the Bank, details of the Tier 2 Capital Instruments are outlined below.

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

Base for Tier 2 Capital Instruments outstanding on 1 January 2013		
Instruments	**RM'000**	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 qualiflying 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 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 recognized in capital adequacy computation each year**	
	Cap (%)	**Cap (RM'000)**
2013	90%	900,000
2014	80%	800,000
2015	70%	700,000
2016	60%	600,000
2017	50%	500,000
2018	40%	400,000
2019	30%	300,000
2020	20%	200,000
2021	10%	100,000
2022	0%	-

3.3 Tier 2 Capital (Cont'd.)

Basel II Subordinated Sukuk Musharakah

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

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

The 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	Profit 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

3.3 Tier 2 Capital (Cont'd.)

Basel III Subordinated Sukuk Murabahah

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

The programme has a tenure of thirty (30) years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under this programme shall have a tenure of at least five (5) years from the issue date, and is callable on any profit payment date after a minimum period of five (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	Profit Rate	Nominal value outstanding (RM million)
28 February 2014	28 February 2019	10 years Non-Callable 5	5.07% per annum	200
25 March 2014	25 March 2019	10 years Non-Callable 5	5.05% per annum	150
21 December 2015	21 December 2020	10 years Non-Callable 5	5.35% per annum	250
30 December 2016	30 December 2021	10 years Non-Callable 5	5.50% per annum	10
15 March 2017	15 March 2022	10 years Non-Callable 5	5.20% per annum	240
Total				850

3.3 Tier 2 Capital (Cont'd.)

Table 3.2: Capital Structure

The components of Common Equity Tier 1, Tier 2 and Total Capital of the Bank are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	1,387,107	1,187,107
Retained earnings	1,493,739	1,179,283
Available-for-sale deficit	(2,980)	(5,149)
Statutory reserve	-	483,345
Regulatory reserve	336,183	58,430
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(704)	(448)
- Regulatory reserve	(336,183)	(58,430)
CET 1 Capital/ Tier 1 Capital	2,877,162	2,844,138
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	850,000	850,000
Tier 2 Capital instruments (subject to gradual phase-out treatment) treatment)	130,000	130,000
Collective allowance and regulatory reserves	316,783	258,458
Tier 2 Capital	1,296,783	1,238,458
Total Capital	4,173,945	4,082,596

The breakdown of the risk-weighted in various categories of risk are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Credit RWA	27,478,651	27,107,178
Less : Credit RWA absorbed by RIA	(2,136,047)	(1,604,369)
Total Credit RWA	25,342,604	25,502,809
Market RWA	189,145	178,976
Operational RWA	1,386,461	1,410,237
Total Risk Weighted Assets	26,918,210	27,092,022

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 AMMB Group to set its risk/reward profile.

The Risk Appetite Framework is approved annually by the Board taking into account the AMMB 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 AMMB 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 four in each of the 4 growth segments (Mass Affluent, Affluent, Small and Medium Enterprise ("SME"), Mid-Corp), top four in each of the four focus products (Cards & Merchants, Transaction Banking, Markets/Foreign Exchange ("FX"), Wealth Management) and to sustain top four position in each of the current engines (Corporate Loans, Debt Capital Market ("DCM"), Funds Management).

- The AMMB Group aims to maintain an external rating of AA1 or better based on reference ratings by RAM Rating Services Berhad ("RAM").

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

- 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").

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

- 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.

4.0 General Risk Management (Cont'd.)

The AMMB Group Risk Direction (Cont'd.)

- 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):
  - Keep operational losses and regulatory penalties below 2% of Profit after Tax and Minority Interest ("PATMI").
  - Remain vigilant in risk identification and management to protect its reputation and business franchise.

- 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**.

- The AMMB Group aims to maintain Risk Weighted Assets ("RWA") efficiency Credit Risk Weighted Assets ("CRWA")/Exposure at Default ("EAD") in the range of 50% to 60%.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the AMMB Group. The RMCD is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk, liquidity risk, credit risk and operational risk and IT and Cyber Risk.

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

**As per Perbadanan Insurans Deposit Malaysia ("PIDM") definition.

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	[redacted]

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

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group 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 customers are being used to complement the credit assessment and approval processes.

5.0 Credit Risk Management (Cont'd.)

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

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

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

- concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- setting Financing to Value limits for asset backed 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 financing pursuant to the BNM’s revised policy on Classification and Impairment Provisions for Loan/Financing and
- setting Guidelines on Wholesale Pricing which serve as a guide to the minimum returns the Bank requires for the risk undertaken, taking into account operating expenses and cost of capital.

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 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 Bank's financing 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, impairment, flow rates of 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 Bank 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 Financing and Advances

All financing and advances are categorised as either:

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

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

5.1 Impairment (Cont'd.)

5.1.1 Definition of Past Due and Impaired Financing and Advances (Cont'd.)

A financing is classified as impaired under the following circumstances:

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

(b) for financing where repayments are scheduled on intervals of 3 months or longer, the financing is to be classified as impaired 1+30 days or 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 defaulted and impaired when the past due is 90 days from due date of the bill

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

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

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

    - a default of a financing obligation of a customer triggers a default of another financing obligation of the <u>same</u> customer; or
    - a default of a financing obligation of a customer triggers a default of a financing obligation of <u>other</u> 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.

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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 Financing and Advances (Cont'd.)

(e) debt instruments (for example, corporate bond and sukuk, debt converted instruments etc.) shall be classified as impaired:

i. when the coupon/profit 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 financing is deemed impaired when it is classified as 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.

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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.*

5.1 Impairment (Cont'd.)

Collective Assessment

Financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective 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 financing[5] net of individual impairment.

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5 *Excluding financing 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 Bank 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	3,415,424	-	-	-	-	-	3,415,424
Public Sector Entities	-	-	-	-	-	248	-	-	-	-	-	451	-	-	699
Banks, DFIs and MDBs	-	-	-	-	-	-	-	3,222,449	-	-	-	-	-	-	3,222,449
Corporates	1,932,012	1,820,677	3,013,558	109,623	1,983,366	1,161,670	1,573,101	1,910,110	-	2,164,629	403,883	901,188	90,671	26,822	17,091,310
Regulatory Retail	8,187	2,151	23,037	860	19,743	35,050	4,857	559	-	4,885	11,591	12,566	12,241,955	1,486	12,366,927
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	262,410	-	262,410
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	557	-	557
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	166,197	166,197
Defaulted Exposures	158	2,391	21,237	1,581	1,661	7,706	71,092	-	-	306,681	2,269	5,968	113,711	72	534,527
Total for On Balance Sheet Exposures	1,940,357	1,825,219	3,057,832	112,064	2,004,770	1,204,674	1,649,050	5,133,118	3,415,424	2,476,195	417,743	920,173	12,709,304	194,577	37,060,500
Off-Balance Sheet Exposures															
OTC Derivatives	-	43,222	630	-	-	24	-	145,478	-	-	-	130	-	-	189,484
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	156,035	15,763	546,803	20,414	768,560	341,773	186,467	94,721	-	179,526	125,544	44,451	493,966	1,500	2,975,523
Defaulted Exposures	-	242	1,529	-	-	4	188	-	-	508	556	-	1,576	-	4,603
Total for Off-Balance Sheet Exposures	156,035	59,227	548,962	20,414	768,560	341,801	186,655	240,199	-	180,034	126,100	44,581	495,542	1,500	3,169,610
Total On and Off-Balance Sheet Exposures	**2,096,392**	**1,884,446**	**3,606,794**	**132,478**	**2,773,330**	**1,546,475**	**1,835,705**	**5,373,317**	**3,415,424**	**2,656,229**	**543,843**	**964,754**	**13,204,846**	**196,077**	**40,230,110**

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

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

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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	3,300,707	-	-	-	-	-	3,300,707
Public Sector Entities	-	-	-	-	-	262	-	-	-	-	14	744	-	-	1,020
Banks, DFIs and MDBs	-	-	-	-	-	-	-	2,221,643	-	-	-	-	-	-	2,221,643
Corporates	2,050,794	1,843,630	2,984,525	97,062	2,149,010	1,182,980	1,483,412	2,243,043	-	2,201,933	365,499	866,756	105,001	23,571	17,597,216
Regulatory Retail	3,688	2,307	11,576	974	13,927	29,728	5,658	563	-	4,990	11,053	13,273	11,985,287	1,511	12,084,535
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	261,845	-	261,845
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	560	-	560
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	169,609	169,609
Defaulted Exposures	196	2,917	562	2,423	2,821	6,284	4,241	-	-	306,948	2,840	5,330	89,563	-	424,125
Total for On-Balance Sheet Exposures	2,054,678	1,848,854	2,996,663	100,459	2,165,758	1,219,254	1,493,311	4,465,249	3,300,707	2,513,871	379,406	886,103	12,442,256	194,691	36,061,260
Off-Balance Sheet Exposures															
OTC Derivatives	-	52,739	4,732	-	-	837	-	143,818	-	-	152	7	-	-	202,285
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	176,690	11,911	504,588	22,158	596,971	308,959	186,821	19,434	-	174,323	121,312	53,992	388,859	1,250	2,567,268
Defaulted Exposures	-	255	-	-	-	13	227	-	-	508	877	-	1,322	-	3,202
Total for Off-Balance Sheet Exposures	176,690	64,905	509,320	22,158	596,971	309,809	187,048	163,252	-	174,831	122,341	53,999	390,181	1,250	2,772,755
Total On and Off-Balance Sheet Exposures	**2,231,368**	**1,913,759**	**3,505,983**	**122,617**	**2,762,729**	**1,529,063**	**1,680,359**	**4,628,501**	**3,300,707**	**2,688,702**	**501,747**	**940,102**	**12,832,437**	**195,941**	**38,834,015**

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

The amounts of impaired and past due financing, individual and collective allowances, charges for individual impairment allowances and write offs during the period/year of the Bank by sector are 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 Hotel and restaurants RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Not Allocated RM'000**	**Total RM'000**
Impaired financing	235	3,751	5,321	7,827	9,479	16,064	80,179	20	309,045	1,747	5,751	156,080	81	-	**595,580**
Past due financing	3,581	6	37,570	15,515	20,369	15,593	76,744	284	314,873	16,656	11,773	3,300,082	2,385	-	**3,815,431**
Individual allowance	-	1,264	2,796	7,038	3,099	833	2,806	-	2,320	758		777	-	-	**21,691**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	243,473	**243,473**
Charges/(Writeback) for individual allowance	-	377	(285)	8,522	(606)	681	2,132	-	1,903	(308)	-	777	-	-	**13,193**
Write-offs against individual allowance	-	-	4	6,924	-	-	45	-	570	-	-	-	-	-	**7,543**

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 Hotel and restaurants RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Not Allocated RM'000**	**Total RM'000**
Impaired financing	206	3,873	6,137	7,863	10,550	13,820	5,302	-	307,959	2,064	5,715	125,210	1	-	**488,700**
Past due financing	5,665	24,666	10,677	2,475	10,859	12,852	13,545	732	-	11,555	5,389	3,099,298	16,598	-	**3,214,311**
Individual allowance	-	887	3,085	5,440	3,705	152	719	-	987	1,066	-	-	-	-	**16,041**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	252,280	**252,280**
Charges/(Writeback) for individual allowance	-	241	(8,921)	(241)	4,618	1,097	214	-	18,034	1,066	-	-	-	-	**16,108**
Write-offs against individual allowance	-	-	14,556	4,335	913	1,034	3,041	-	39,903	-	-	-	-	-	**63,782**

Table 5.3: Geographical distribution of credit exposures

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

30 September 2017	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	3,415,424	-	3,415,424
Public Sector Entities	699	-	699
Banks, DFIs and MDBs	3,183,782	38,667	3,222,449
Corporates	17,091,310	-	17,091,310
Regulatory Retail	12,366,927	-	12,366,927
Residential Mortgages	262,410	-	262,410
Higher Risk Assets	557	-	557
Other Assets	166,197	-	166,197
Defaulted Exposures	534,527	-	534,527
Total for On Balance Sheet Exposures	37,021,833	38,667	37,060,500
Off-Balance Sheet Exposures			
OTC Derivatives	189,484	-	189,484
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,975,523	-	2,975,523
Defaulted Exposures	4,603	-	4,603
Total for Off-Balance Sheet Exposures	3,169,610	-	3,169,610
Total On and Off-Balance Sheet Exposures	**40,191,443**	**38,667**	**40,230,110**

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

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

31 March 2017	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	3,300,707	-	3,300,707
Public Sector Entities	1,020	-	1,020
Banks, DFIs and MDBs	2,199,978	21,665	2,221,643
Corporates	17,597,216	-	17,597,216
Regulatory Retail	12,084,535	-	12,084,535
Residential Mortgages	261,845	-	261,845
Higher Risk Assets	560	-	560
Other Assets	169,609	-	169,609
Defaulted Exposures	424,125	-	424,125
Total for On-Balance Sheet Exposures	36,039,595	21,665	36,061,260
Off-Balance Sheet Exposures			
OTC Derivatives	202,285	-	202,285
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,567,268	-	2,567,268
Defaulted Exposures	3,202	-	3,202
Total for Off-Balance Sheet Exposures	2,772,755	-	2,772,755
Total On and Off-Balance Sheet Exposures	**38,812,350**	**21,665**	**38,834,015**

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

The amounts of all impaired and past due financing, individual and collective allowances of the Bank which reside in Malaysia are as follows:

30 September 2017	**Total** **RM'000**
Impaired financing	595,580
Past due financing	3,815,431
Individual allowances	21,691
Collective allowances	243,473

31 March 2017	**Total** **RM'000**
Impaired financing	488,700
Past due financing	3,214,311
Individual allowances	16,041
Collective allowances	252,280

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

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

30 September 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	2,243,570	-	-	-	30,454	117,163	1,024,237	-	3,415,424
Public Sector Entities	1	23	31	151	246	-	247	-	699
Banks, DFIs and MDBs	438,065	740,642	1,981,775	-	-	54,915	7,052	-	3,222,449
Corporates	6,917,280	834,677	500,151	718,724	1,707,044	1,998,773	4,414,661	-	17,091,310
Regulatory Retail	10,653	5,964	16,703	79,186	1,071,111	2,969,471	8,213,839	-	12,366,927
Residential Mortgages	69	12	52	204	3,043	12,133	246,897	-	262,410
Higher Risk Assets	-	-	-	-	-	-	557	-	557
Other Assets	930	1,889	89,081	825	19,563	-	-	53,909	166,197
Defaulted Exposures	336,231	834	8,121	4,486	17,566	83,320	83,969	-	534,527
Total for On-Balance Sheet Exposures	9,946,799	1,584,041	2,595,914	803,576	2,849,027	5,235,775	13,991,459	53,909	37,060,500
Off-Balance Sheet Exposures									
OTC Derivatives	31	643	109	8,867	-	54,250	125,584	-	189,484
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	274,090	80,771	510,321	315,796	669,077	392,905	732,563	-	2,975,523
Defaulted Exposures	238	270	239	1,746	546	319	1,245	-	4,603
Total for Off-Balance Sheet Exposures	274,359	81,684	510,669	326,409	669,623	447,474	859,392	-	3,169,610
Total On and Off-Balance Sheet Exposures	**10,221,158**	**1,665,725**	**3,106,583**	**1,129,985**	**3,518,650**	**5,683,249**	**14,850,851**	**53,909**	**40,230,110**

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 Bank is as follows (Contd.):

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	2,065,691	-	-	-	30,450	184,122	1,020,444	-	3,300,707
Public Sector Entities	-	14	14	154	576	-	262	-	1,020
Banks, DFIs and MDBs	669,326	1,532,524	-	-	-	-	19,793	-	2,221,643
Corporates	6,546,755	899,021	1,103,953	470,932	2,278,018	1,713,697	4,584,840	-	17,597,216
Regulatory Retail	14,207	5,933	20,095	58,733	966,340	3,266,853	7,752,374	-	12,084,535
Residential Mortgages	69	10	63	184	2,815	10,646	248,058	-	261,845
Higher Risk Assets	-	-	-	-	-	-	560	-	560
Other Assets	890	1,809	2,787	91,854	20,372	-	-	51,897	169,609
Defaulted Exposures	314,738	926	960	3,518	16,121	29,640	58,222	-	424,125
Total for On-Balance Sheet Exposures	9,611,676	2,440,237	1,127,872	625,375	3,314,692	5,204,958	13,684,553	51,897	36,061,260
Off-Balance Sheet Exposures									
OTC Derivatives	12,960	2,115	18,104	31,453	-	108,152	29,501	-	202,285
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	272,657	88,767	114,477	461,668	558,788	378,608	692,303	-	2,567,268
Defaulted Exposures	365	437	3	772	545	80	1,000	-	3,202
Total for Off-Balance Sheet Exposures	285,982	91,319	132,584	493,893	559,333	486,840	722,804	-	2,772,755
Total On and Off-Balance Sheet Exposures	**9,897,658**	**2,531,556**	**1,260,456**	**1,119,268**	**3,874,025**	**5,691,798**	**14,407,357**	**51,897**	**38,834,015**

Table 5.6: Reconciliation of changes to financing impairment allowances

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

30 September 2017	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	16,041	252,280
Charge for the period – net	13,193	66,861
Transferred to AmBank *	-	(904)
Foreign exchange differences	-	(2)
Amount written-off	(7,543)	(74,762)
Balance at end of financial period	21,691	243,473

30 September 2017	(Charge off)/recoveries RM'000
Bad debts written off during the period	(6,811)
Bad debt recoveries during the period	63,636

31 March 2017	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	63,715	329,392
Charge for the year – net	16,108	78,288
Foreign exchange differences	-	9
Amount written-off	(63,782)	(155,409)
Balance at end of financial year	16,041	252,280

31 March 2017	(Charge off)/recoveries RM'000
Bad debts written off during the year	(15,174)
Bad debt recoveries during the year	133,913

* On 29 September 2017, the Bank entered into a RIA contract for the sum of RM529.4 million with AmBank. Arising from this contract, the Bank 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 respectively (31 March 2017 :RM1,604.4 million and RM2.3 million respectively). There was no individual allowance provided for the RIA financing.

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 AMMB Group:

- Moody's Investors Service ("Moody's")
- Standard & Poor's Rating Services ("S&P")
- 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 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.

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

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

30 September 2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,415,424	-	19,915	-	2,312,542	-	-	-	-	5,747,881	-
20%	-	699	2,837,403	-	888,645	23,234	-	-	-	3,749,981	749,996
35%	-	-	-	-	-	-	201,439	-	-	201,439	70,504
50%	-	-	529,442	-	505,913	5,703	65,563	-	-	1,106,621	553,311
75%	-	-	-	-	-	9,123,537	-	-	-	9,123,537	6,842,653
100%	-	-	-	400	14,829,806	3,604,127	1,524	-	166,197	18,602,054	18,602,054
150%	-	-	-	-	388,548	50,333	-	1,208	-	440,089	660,134
Total	3,415,424	699	3,386,760	400	18,925,454	12,806,934	268,526	1,208	166,197	38,971,602	27,478,651

Table 6.1: Credit exposures by risk weights under the Standardised Approach (Cont'd.)

The breakdown of credit risk exposures by risk weights of the Bank is as follows: (Cont'd.)

31 March 2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,300,707	-	19,792	2,183,243	-	-	-	-	5,503,742	-
20%	-	1,020	2,058,246	872,189	15,519	-	-	-	2,946,974	589,395
35%	-	-	-	-	-	201,888	-	-	201,888	70,660
50%	-	-	255,384	544,168	5,013	64,148	-	-	868,713	434,356
75%	-	-	-	-	9,462,354	-	-	-	9,462,354	7,096,766
100%	-	-	-	15,217,070	3,005,593	900	-	169,609	18,393,172	18,393,172
150%	-	-	-	310,176	37,165	-	1,211	-	348,552	522,829
Total	3,300,707	1,020	2,333,422	19,126,846	12,525,644	266,936	1,211	169,609	37,725,395	27,107,178

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	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A 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				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	999	-	24	975
Insurance Companies, Securities Firms and Fund managers	400	-	-	400
Corporates	20,003,894	436,537	980,171	18,587,186
Total	**20,005,293**	**436,537**	**980,195**	**18,588,561**

31 March 2017

	Ratings of Corporate 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	A 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				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	1,520	-	96	1,424
Corporates	20,195,016	430,439	1,009,205	18,755,372
Total	**20,196,536**	**430,439**	**1,009,301**	**18,756,796**

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	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	3,415,424	-	3,415,424	-	-	-	-
Total	**3,415,424**	**-**	**3,415,424**	**-**	**-**	**-**	**-**

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	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks	3,300,707	-	3,300,707	-	-	-	-
Total	**3,300,707**	**-**	**3,300,707**	**-**	**-**	**-**	**-**

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

30 September 2017

	Ratings of Banking Institutions by Approved ECAIs				
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BBB3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	3,386,760	923,172	297,251	125,584	2,040,753
Total	3,386,760	923,172	297,251	125,584	2,040,753

31 March 2017

	Ratings of Banking Institutions by Approved ECAIs				
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BBB3**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	2,333,422	134,886	49,961	95,941	2,052,634
Total	**2,333,422**	**134,886**	**49,961**	**95,941**	**2,052,634**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures 30 September 2017	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	3,415,424	-	-
Public Sector Entities	699	-	-
Banks, DFIs and MDBs	3,222,449	-	-
Corporates	17,091,310	311,651	447,804
Regulatory Retail	12,366,927	23,194	181,934
Residential Mortgages	262,410	-	111
Higher Risk Assets	557	-	-
Other Assets	166,197	-	-
Defaulted Exposures	534,527	1,965	146,909
Total On-Balance Sheet Exposures	37,060,500	336,810	776,758
Off-Balance Sheet Exposures			
OTC Derivatives	189,484	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,975,523	170,000	1,066,114
Defaulted Exposures	4,603	-	1,016
Total Off-Balance Sheet Exposures	3,169,610	170,000	1,067,130
Total On and Off-Balance Sheet Exposures	**40,230,110**	**506,810**	**1,843,888**

Exposures 31 March 2017	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	3,300,707	-	-
Public Sector Entities	1,020	-	-
Banks, DFIs and MDBs	2,221,643	-	-
Corporates	17,597,216	622,363	521,835
Regulatory Retail	12,084,535	15,402	24,752
Residential Mortgages	261,845	-	120
Higher Risk Assets	560	-	-
Other Assets	169,609	-	-
Defaulted Exposures	424,125	491	99,616
Total for On-Balance Sheet Exposures	36,061,260	638,256	646,323
Off-Balance Sheet Exposures			
OTC Derivatives	202,285	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,567,268	50	1,005,754
Defaulted Exposures	3,202	-	1,078
Total for Off-Balance Sheet Exposures	2,772,755	50	1,006,832
Total On and Off-Balance Sheet Exposures	**38,834,015**	**638,306**	**1,653,155**

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 Bank are as follows:

30 September 2017

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	304,355		304,355	288,832
Transaction related contingent items	793,090		396,545	302,701
Short term self liquidating trade related contingencies	71,017		14,203	13,629
Forward asset purchases	70,529		4,600	2,440
Obligations under an on-going underwriting agreement	65,000		-	-
Foreign exchange related contracts	383,279	127	44,005	44,005
One year or less	50,799	127	783	783
Over one year to five years	332,481	-	43,222	43,222
Profit rate related contracts	810,000	2,342	11,027	5,064
Over one year to five years	460,000	2,342	11,027	5,064
Over five years	350,000	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	1,654,292	47,183	134,451	71,659
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	899,016		449,508	385,098
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,801,824		1,611,849	577,154
Unutilised credit card lines	995,337		199,067	148,986
Total	10,847,740	49,652	3,169,610	1,839,568

31 March 2017

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	231,275		231,275	219,816
Transaction related contingent items	812,765		406,383	313,012
Short term self liquidating trade related contingencies	50,029		10,006	9,335
Forward asset purchases	10,022		700	350
Obligations under an on-going underwriting agreement	65,000		-	-
Foreign exchange related contracts	2,577,085	34,933	162,647	126,757
One year or less	1,880,550	27,136	64,633	51,380
Over one year to five years	696,535	7,797	98,014	75,377
Profit rate related contracts	920,000	7,448	39,638	18,998
Over one year to five years	370,000	7,448	10,138	4,248
Over five years	550,000	-	29,500	14,750
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	858,147		429,073	375,409
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,621,122		1,350,019	537,374
Unutilised credit card lines	715,072		143,014	106,996
Total	9,860,517	42,381	2,772,755	1,708,047

9.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2017 and financial year ended 31 March 2017.

10.0 Non-Traded Market Risk

Rate of Return Risk ("RORBB") in Banking Book

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation and equity to a reasonable possible change in rate of return with all other variables remaining constant.

30 September 2017	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	9,579	(9,579)
Impact on equity	(209,546)	229,933

31 March 2017	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	11,664	(11,664)
Impact on equity	(211,501)	233,489

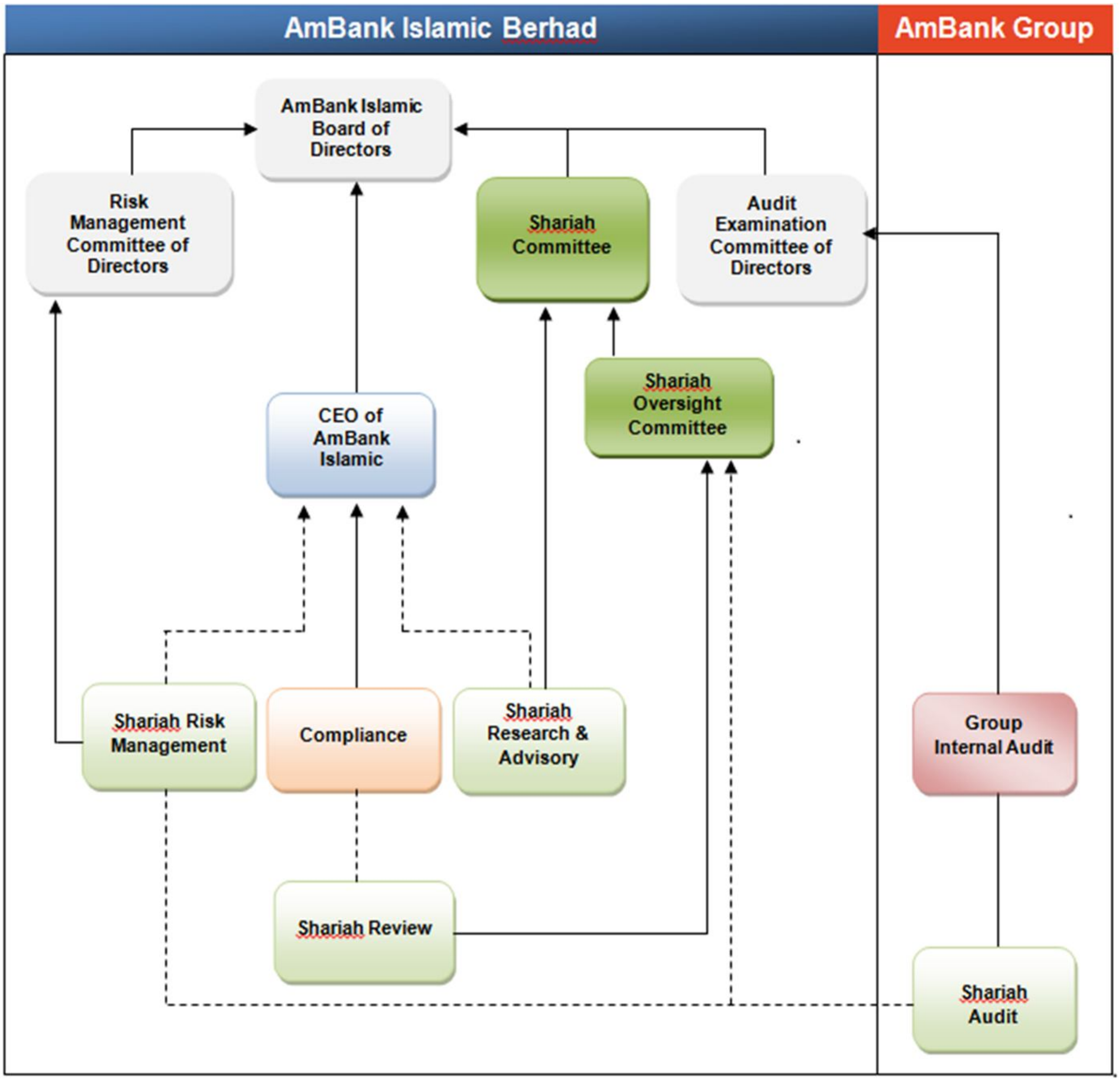
11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2017 and 31 March 2017.

12.0 Liquidity Risk and Funding Management

The liquidity risk management of the Bank is aligned to BNM's policy document on LCR issued by BNM on 31 March 2015.

13.0 Shariah Governance Structure



The AMMB 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 the Bank 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 the Bank, the Bank's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

13.0 Shariah Governance Structure (Cont'd.)

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 AEC, RMCD and the Shariah Committee.

Audit Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the AMMB Group 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, performs an oversight function on banking operations 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/Chief Executive Officer

Management/Chief Executive Officer ("CEO") is responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management/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.

13.0 Shariah Governance Structure (Cont'd.)

Shariah Research and Advisory

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

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.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st-The Business Units and Functional Lines; 2nd - Shariah Risk Management, Shariah Review, Shariah Research and Advisory; 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 Section 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 business and operations. The Shariah audit covers all activities particularly the operational components of the Bank (including functions outsourced to AmBank(M) Berhad or AmInvestment Bank Berhad) 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.

13.1 Shariah Non-Compliant Income

To date there had been no Shariah non-compliant incidents and income for the financial period September 2017. No Shariah non-compliant incidents or income for the financial year ended 31 March 2017.