AMMB Banking Group

Pillar 3 Disclosures

AmBank Group

Group Finance

Last updated: Sept 2012

Contents

1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework-Basel II and Capital Adequacy Framework for Islamic Banks ("RWCAF") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Banking and Financial Institutions Act 1989 ("BAFIA") and all Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983 ("IBA"). 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 AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

AmBank has provided explicit guarantee against the liabilities of its wholly owned Labuan offshore banking subsidiary, AmInternational (L) Ltd. ("AMIL"), a Labuan company licensed under the Labuan Financial Services and Securities Act to carry out Labuan banking business. In accordance with the RWCAF, the capital position and risk weighted assets ("RWA") of AmBank refers to the combined capital base and RWA of AmBank and AMIL.

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

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are provided within their respective published financial statements that are available via our website at www.ambankgroup.com.

The capital adequacy ratios are computed in accordance with BNM's RWCAF which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirement is 8.0 per cent for the risk weighted capital ratio.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

For purposes of this Pillar 3 Report, 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.

	Accounting Treatment	
Type of entity	**Statutory reporting**	**Basel II regulatory reporting**
Subsidiaries licensed under BAFIA[1] or IBA[2] or engaged in financial activities	Fully consolidated	Fully consolidated
Subsidiaries engaged in non-financial activities	Fully consolidated	Deducted from capital base
Associates and jointly controlled entities which are licensed under BAFIA or IBA	Equity accounted	Pro-rata consolidated
Associates and jointly controlled entities which are not licensed under BAFIA or IBA	Equity accounted	Reported as investment and risk weighted

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

Any such transfers would require the approvals of the respective Boards of Directors, as well as the concurrence of BNM.

[1] BAFIA denotes the Banking and Financial institutions Act 1989.

[2] IBA denotes the Islamic Banking Act 1983.

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. The capital plan ensures that adequate levels of capital and an optimum mix of the 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:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

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

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

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

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

The capital that the Group is required to hold is determined by its balance sheet, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is 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 of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2013 ("FY 2013"), these ranges are 9.33 per cent to 11.33 per cent for the Tier 1 capital ratio and 13.33 per cent to 15.33 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, 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.

In light of the uncertain economic environment and the evolving global regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

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.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

Table 2.1: Capital Adequacy Ratio

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

SEPTEMBER 2012	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	10.6%	8.1%	25.2%	10.5%
Risk weighted capital ratio	14.7%	13.4%	25.2%	14.7%
After deducting proposed dividends:				
Core capital ratio	10.3%	8.1%	25.2%	10.3%
Risk weighted capital ratio	14.4%	13.4%	25.2%	14.4%

.

MARCH 2012	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	11.3%	9.0%	21.0%	11.3%
Risk weighted capital ratio	15.6%	15.2%	21.0%	15.7%
After deducting proposed dividends:				
Core capital ratio	10.1%	9.0%	19.7%	10.5%
Risk weighted capital ratio	14.6%	15.2%	19.7%	15.0%

Notes:

1) Group figures presented in this Report represent an aggregation of the consolidated capital positions and RWA of our regulated banking institutions – as noted above, the consolidated positions of each entity are published at www.ambankgroup.com.

2) The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Berhad and its wholly-owned offshore banking subsidiary company, AMIL.

Table 2.2: Risk Weighted Assets and Capital Requirements

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

SEPTEMBER 2012					
Exposure class		Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ central banks		11,831,044	11,734,194	-	-
Banks, development financial institutions ("DFI") & multilateral development banks ("MDB")		7,775,000	7,775,000	1,823,226	145,858
Insurance companies, securities firms & fund managers		24,096	24,096	24,096	1,928
Corporates		39,174,213	36,786,299	33,225,646	2,658,052
Regulatory retail		33,040,959	32,849,163	24,784,657	1,982,772
Residential mortgages		9,416,075	9,400,523	3,526,033	282,083
Higher risk assets		128,262	128,262	192,392	15,391
Other assets		2,929,430	2,929,430	2,215,109	177,210
Securitisation		90,483	90,483	19,982	1,599
Equity		77,981	77,981	77,981	6,239
Defaulted exposures		1,858,671	1,682,986	2,068,553	165,484
Total for on balance sheet exposures		106,346,214	103,478,417	67,957,675	5,436,616
Off balance sheet exposures:					
Over the counter ("OTC") derivatives		2,287,221	2,287,221	1,195,302	95,625
Credit Derivatives		66	66	27	2
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,826,815	12,078,797	10,721,942	857,755
Defaulted exposures		67,045	64,590	94,997	7,600
Total for off balance sheet exposures		15,181,147	14,430,674	12,012,268	960,982
Total on and off balance sheet exposures		121,527,361	117,909,091	79,969,943	6,397,598
2. **Large exposures risk requirement**				2,698	216
3. **Market risk**	**Long**	**Short**			
Interest rate risk /Rate of return risk					
- General interest rate risk/Rate of return risk	65,011,927	53,634,356		4,129,718	330,377
- Specific interest rate risk/Rate of return risk	11,838,875	655,884		1,010,017	80,802
Foreign currency risk	193,136	89,851		193,136	15,451
Equity risk					
- General risk	224,107	21,026		203,082	16,247
- Specific risk	224,107	21,026		308,877	24,710
Option risk	2,800,895	3,499,208		237,776	19,022
Total	80,293,047	57,921,351		6,082,606	486,609
4. **Operational risk**				6,314,882	578,952
5. **Total RWA and capital requirements**				92,370,129	7,463,375

Table 2.2: Risk Weighted Assets and Capital Requirements (Contd.)

	MARCH 2012				
Exposure class		Gross exposures/ EAD before CRM	Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ central banks		9,291,109	8,909,046	-	-
Banks, DFIs and MDBs		7,349,631	7,349,631	1,730,365	138,429
Insurance companies, securities firms & fund managers		30,666	30,666	30,666	2,453
Corporates		34,213,340	32,026,945	29,665,371	2,373,229
Regulatory retail		31,889,087	31,715,867	23,843,757	1,907,501
Residential mortgages		9,092,629	9,077,791	3,425,584	274,047
Higher risk assets		145,559	145,559	218,338	17,467
Other assets		3,333,752	3,333,753	2,625,182	210,015
Securitisation		97,462	97,462	20,692	1,655
Equity		60,656	60,656	60,656	4,853
Defaulted exposures		2,392,027	2,082,873	2,782,893	222,631
Total for on balance sheet exposures		97,895,918	94,830,249	64,403,504	5,152,280
Off balance sheet exposures:					
Over the counter ("OTC") derivatives		2,009,106	2,009,106	1,020,210	81,617
Credit Derivatives		69	69	28	2
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,125,609	11,296,421	10,073,176	805,854
Defaulted exposures		249,412	230,868	345,354	27,628
Total for off balance sheet exposures		14,384,196	13,536,464	11,438,768	915,101
Total on and off balance sheet exposures		112,280,114	108,366,713	75,842,272	6,067,381
2. **Large exposures risk requirement**				3,298	264
3. **Market risk**	**Long**	**Short**			
Interest rate risk /Rate of return risk					
- General interest rate risk/Rate of return risk	65,424,971	54,752,927		3,186,347	254,908
- Specific interest rate risk/Rate of return risk	11,007,468	55,154		737,122	58,970
Foreign currency risk	149,865	55,040		149,865	11,989
Equity risk					
- General risk	379,886	71,230		308,657	24,692
- Specific risk	379,886	71,230		514,097	41,128
Option risk	1,286,590	1,853,397		227,408	18,193
Total	78,628,666	56,858,978		5,123,496	409,880
4. **Operational risk**				6,045,547	581,686
5. **Total RWA and capital requirements**				87,014,613	7,059,211

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

3.0 Capital Structure

Table 3.1 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- paid-up ordinary share capital, irredeemable non-cumulative convertible preference shares, and eligible reserves;
- innovative Tier 1 capital and qualifying subordinated liabilities; and
- collective allowance (netted against loans, advances and financing)

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines.

For regulatory purposes, capital is categorised into two main categories, or tiers, depending on the degree of permanency and loss absorbency exhibited. These are Tier 1 and Tier 2 capital which are described below.

3.1 Tier 1 Capital

Tier 1 capital comprises paid-up ordinary share capital, retained earnings, eligible reserves and innovative and non-innovative Tier 1 capital, after the deduction of certain regulatory adjustments.

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.

Retained Earnings
Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied.

Eligible Reserves
Eligible reserves comprise the following:

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

- **Statutory Reserve**
  Statutory reserve is maintained in compliance with the provisions of BAFIA and IBA and is not distributable as cash dividends.

- **Capital Reserve and Merger Reserve**
  The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.

- **Exchange Fluctuation Reserve**
  Exchange fluctuation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

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

(a) Non-cumulative Non-voting Guaranteed Preference Shares
On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are subordinated and guaranteed by AmBank. The gross proceeds from the issuance was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77 per cent per annum and thereafter, a floating rate per annum equal to three (3) month USD LIBOR plus 2.90 per cent if not redeemed on 27 January 2016. The non-cumulative dividends are payable on a semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 or more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

(b) Innovative Tier 1 Capital Securities

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

Non-innovative Tier 1 Capital

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

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

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

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

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

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

3.2 Tier 2 Capital

The main components of Tier 2 capital are collective allowance for loans and financing and subordinated debt instruments as follows:

Medium Term Notes

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

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

The MTNs issued under the MTN Programme was included as Tier 2 capital in compliance with the RWCAF issued by BNM.

The salient features of the MTNs issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-callable 5 years and bears interest at 5.23 per cent per annum.

(ii) Tranche 2 and 3 totaling RM240 million was issued on 14 March 2008 as follows:
  - Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-callable 5 years and bears interest at 5.2 per cent per annum.
  - Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-callable 7 years and bears interest at 5.4 per cent per annum.

(iii) Tranche 4 and 5 totaling RM120 million was issued on 28 March 2008 as follows:
  - Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-callable 5 years and bears interest at 5.2 per cent per annum.
  - Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-callable 7 years and bears interest at 5.4 per cent per annum.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-callable 10 years and bears interest at 6.25 per cent per annum.

(v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-callable 5 years and bears interest at 5.75 per cent per annum.

The interest rate of the MTN will step up by 0.5 per cent per annum as follows:
(i) Tranche 1 – at the beginning of the 5th year
(ii) Tranche 2 – at the beginning of the 6th year
(iii) Tranche 3 – at the beginning of the 8th year
(iv) Tranche 4 – at the beginning of the 6th year
(v) Tranche 5 – at the beginning of the 8th year
(vi) Tranche 6 – at the beginning of the 11th year
(vii) Tranche 7 – at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN.

On 8 October 2012, AmBank has early redeemed RM300.0 million nominal value of its MTN under Tranche 1, via open market buy-back mechanism. Subsequently, on 10 October 2012, AmBank has cancelled RM300.0 million nominal value of Tranche 1 of the MTN, with original issuance size of RM500.0 million. This tranche of MTN was initially due for redemption at the next step-up date in February 2013.

On 16 October 2012, AmBank issued a new tranche of MTN (Tranche 8), amounting to a total of RM710.0 million for a tenor of 10 years Non-Callable 5 years, bearing interest at 4.45% per annum. The step-up proviso does not apply to the interest rate on the MTN Tranche 8. RM300.0 million of the MTN under Tranche 8 was utilized as a one-to-one replacement for the MTN early redeemed under Tranche 1.

Total MTN in issuance post the completion of these transactions has amounted to RM1,967.8 million.

Subordinated Sukuk Musyarakah

(a) On 21 December 2006, AmIslamic Bank issued RM400,000,000 Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing AmIslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:
(i) The Sukuk Musyarakah carries a profit rate of 4.80 per cent per annum for the first 5 years and shall be stepped up by 0.5 per cent per annum for every subsequent year to maturity date. The profit is payable on a semi-annual basis.
(ii) The Sukuk Musyarakah is for a period of 10 years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100 per cent of the principal amount together with the expected profit payments.

On 28 February 2011, AmIslamic Bank was transferred to AMMB.

On 21 December 2011, the RM400.0 million Subordinated Sukuk Musyarakah was redeemed by AmIslamic.

(b) On 30 September 2011, AmIslamic Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of up to RM2.0 billion. The purpose of the programme is to increase AmIslamic Bank's Tier 2 capital.

On the same date, RM600.0 million subordinated securities were issued under this programme. The first tranche of the Sukuk Musharakah carries a profit rate of 4.40 per cent per annum and is payable on a semi-annual basis.

On 31 January 2012, AmIslamic issued the second tranche of the Sukuk Musharakah of RM200.0 million. The second tranche carries a profit rate of 4.35 per cent per annum, and is payable on a semi-annual basis.

The Subordinated Sukuk Musharakah is for a period of ten (10) years. AmIslamic 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 per cent of the principal amount together with the expected profit payments.

Innovative and Non-innovative Tier 1 Capital Securities

Please refer to Section 3.1 for details of the innovative and non-innovative Tier 1 capital securities in issue.

Table 3.1 Capital Structure

The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	SEPTEMBER 2012			
	AmBank RM'000	**AmIslamic Bank RM'000**	**AmInvestment Bank RM'000**	**Group RM'000**
Tier 1 Capital				
Paid-up ordinary share capital	820,364	428,038	200,000	1,448,402
Share premium	942,844	609,068	-	1,551,912
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(11,979)	-	-	16,087
Innovative Tier 1 capital	1,094,755	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	3,112,061	451,129	97,715	3,672,292
Non-controlling interests	-	-	-	50
Total	7,487,530	1,847,951	497,715	10,023,515
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(189,165)	(59,885)	(11,745)	(265,431)
Total Tier 1 Capital	7,298,365	1,788,066	485,970	9,746,841
Less: Deduction in excess of allowable Tier 2 capital	-	-	(108,038)	(19,807)
Maximum Allowable Tier 1 Capital	7,298,365	1,788,066	377,932	9,727,034
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	800,000	-	800,000
Innovative Tier 1 capital	140,345	-	-	-
Collective allowance for loans and financing#	1,147,339	361,700	3,858	1,512,989
Total Tier 2 Capital	2,845,484	1,161,700	3,858	3,870,789
Total Capital Funds	10,143,849	2,949,766	381,790	13,597,823
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(6,136)	-	(23,665)	(29,801)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	108,038	19,807
Capital Base	10,104,933	2,949,766	377,932	13,555,060

Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM527,806,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated Operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to AMMB on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Credit risk	58,843,743	19,848,944	835,894	79,969,944
Market risk	5,100,578	745,756	233,232	6,082,605
Operational risk	4,738,059	1,380,792	430,657	6,314,882
Large exposure risk requirement	2,698	-	-	2,698
Total risk weighted assets	68,685,078	21,975,492	1,499,783	92,370,129

Table 3.1 Capital Structure (Contd.)

	MARCH 2012			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Tier 1 Capital				
Paid-up ordinary share capital	820,364	428,038	200,000	1,448,402
Share premium	942,844	609,068	-	1,551,912
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	2,077	-	-	30,143
Innovative Tier 1 capital	1,124,271	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	3,235,856	328,654	102,299	3,685,929
Non-controlling interests	-	-	-	50
Total	7,654,897	1,725,476	502,299	10,051,208
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(159,755)	(32,258)	(16,844)	(213,053)
Total Tier 1 Capital	7,495,142	1,693,218	485,455	9,826,912
Less: Deduction in excess of allowable Tier 2 capital	-	-	(102,091)	(13,860)
Maximum Allowable Tier 1 Capital	7,495,142	1,693,218	383,364	9,813,052
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	800,000	-	800,000
Innovative Tier 1 capital	110,829	-	-	-
Collective allowance for loans and financing#	1,198,932	370,964	9,218	1,582,744
Total Tier 2 Capital	2,867,561	1,170,964	9,218	3,940,544
Total Capital Funds	10,362,703	2,864,182	392,582	13,753,596
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(9,446)	-	(23,078)	(32,524)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	102,091	13,860
Capital Base	10,320,477	2,864,182	383,364	13,702,163

\# Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM429,497,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated Operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to AMMB on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Credit risk	57,235,055	17,095,915	1,103,164	75,842,272
Market risk	4,494,813	384,044	244,709	5,123,496
Operational risk	4,570,067	1,327,826	478,318	6,045,547
Large exposure risk requirement	3,298	-	-	3,298
Total risk weighted assets	66,303,233	18,807,785	1,826,191	87,014,613

4.0 Risk Management Framework

The Risk Management Framework takes its lead from the Board of Directors' Approved Risk Appetite Framework which provides the catalyst to setting the risk/ reward profile required by the Board of Directors, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board of Directors 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 of Directors to consider any fine tuning/ amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement
The Group's strategic goals are for top quartile shareholder returns and target ROE which will be progressively improved over a three year period wherein the growth will come via, further Diversification of the loan portfolio into less volatile earnings streams.

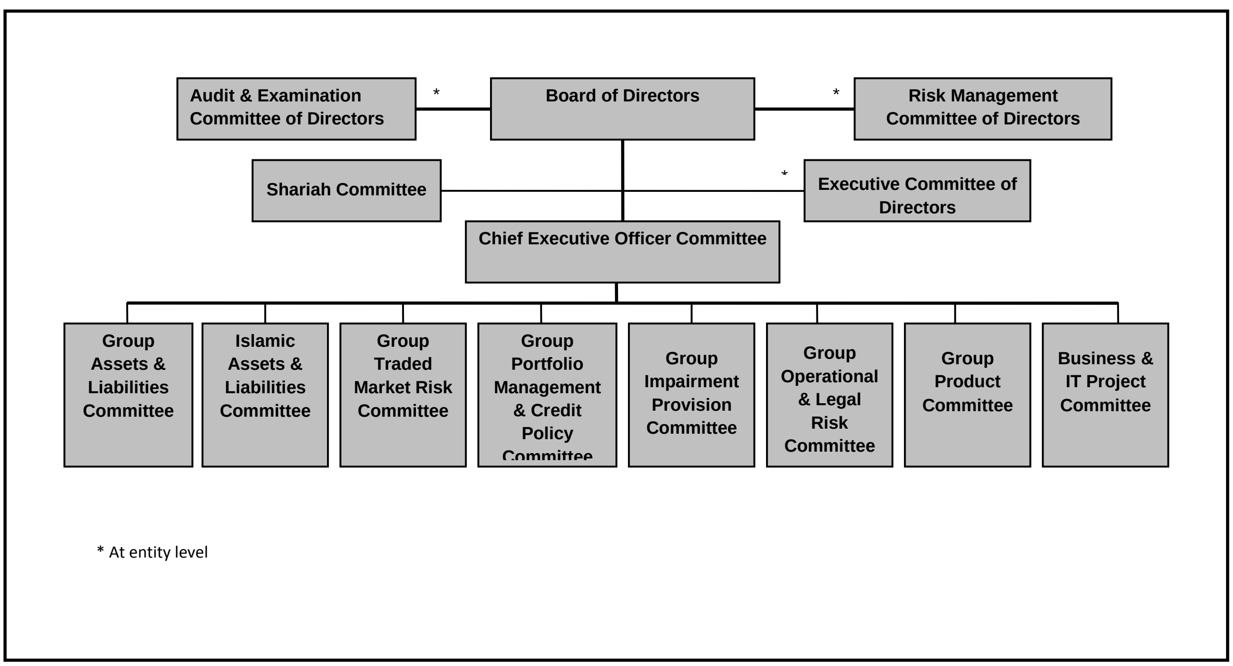
AmBank Group targets to maintain credit rating of BBB+ (from international rating agencies) , supported by continued improvement in overall asset quality and portfolio diversification, and through prudent management of our capital, funding, liquidity, and interest rate risk in the balance sheet.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel 3 requirement for Common Equity Tier 1, Tier 1 Capital and Total Regulatory Capital. Our capital requirements are robustly tested over a three year period.

We enforce conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel 3 liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Adjusted Loan Deposit Ratio is within 90 per cent range with continually improving current account and savings account ("CASA") deposit composition and market share.

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

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



Committee	Roles and Responsibilities
Risk Management Committee of Directors ("**RMCD**")	• Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. • Report and advise the Board of Directors ("Board") on risk issues.
Audit & Examination Committee of Directors ("**AEC**")	• Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. • Provide assistance to the Board in ensuring the Islamic banking operations of the Group are Shariah compliant.
Shariah Committee	• Responsible and accountable on matters related to Shariah, which includes advising the Board and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic banking operations of the Group. • The Shariah Oversight Committee, which is a sub-committee to the Shariah committee performs an oversight function for the key Shariah functions; Shariah review, Shariah audit, and Shariah Risk Management.
Executive Committee of Directors ("**EXCO**")	• Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. • Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("**CEO Committee**")	• Responsible for overall day-to-day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. • Report and advice the Board on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("**GALCO**")	• Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/ profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	• Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("**GTMRC**")	• Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee("**GPMCP**")	• Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	• Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with the Board's approved policies and MFRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("**GOLRC**")	• Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee **("GPC")**	• Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product; and review post implementation activities and product performance.
Business and IT Project Committee **("BITPC")**	• Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major business and IT investments. • To ensure all projects are aligned to the business and IT plans, appropriate prioritisation of business and IT projects, and the allocation of resources. • Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

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, Benchmark Returns • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem 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 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's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. A suite of new credit rating models have been developed and deployed recently to replace the pre-existing models, thus ensuring that AmBank is utilising the most recent advancements in credit risk model structures. The new models consist of quantitative and qualitative scores that are then translated into a rating grade, ranging from "1" (representing the best risk grade) to "24" (i.e., the worst performing risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures. New LGD and EAD models have also been developed and deployed recently in FY 2013.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been developed and deployed recently in FY 2013.

The new rating models pertaining to credit risk (obligor's PD, LGD and EAD) which support credit risk management's observation of disciplines governed by the Basel II Framework and Malaysian Financial Reporting Standards ("MFRS") will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss;
- enhance pricing models;
- facilitate loan/ financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

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

- concentration limits:
  - single counterparty credit;
  - industry sector;
  - country; and
  - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/ Financing to Value limits for asset backed loans/ financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and board committees.

The GPMCP regularly meets to review the quality and diversification of the Group's loan/ financing portfolio, approve new and amended credit risk policy, review watchlist reports and post mortem review of loan/ financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

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

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

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

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

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

A loan/ financing is classified as impaired under the following circumstances:

(a) where the principal or interest/ profit or both[3] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan/ financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.

(c) for loans/ financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/ financing shall be classified as impaired when the principal or interest/ profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/ R") facilities, these loans/ financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/ R facilities remain impaired until re-aged.

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

All financial assets 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.

As a transitional arrangement up to 2012, BNM has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

(a) Transitional approach – where, banking institutions may maintain an allowance of at least 1.5 per cent of total outstanding loans net of individual impairment provision; or

(b) Full MFRS139 compliance approach – where collective allowances are computed using models based on the banking institutions' history of experience.

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

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience. However, beginning this quarter, the Group has prepared its financial statements in full compliance with the MFRS 139. The change in accounting policy on the collective assessment for loans, advances and financing are accounted for retrospectively. The changes are tabulated below:

Prior applications of FRS	**Full adoption of MFRS**
<u>Individual allowance under FRS 139</u> o Individual significant loans are assessed using the discounted cashflow method for individual provisions o Loans which are individually assessed but where no individual provisions required will be collectively assessed	**<u>Individual allowance under MFRS 139 (full compliance)</u>** O No change
<u>Collective allowance under FRS 139 (transitional provision)</u> o **PD** - Non retail: weighted portfolio - Retail: flow rate methodology with PD computed based on months-in-arrears ("MIA") buckets o **LGD** - Combination of interest in suspense, specific provision, write-offs and recoveries as proxy for losses o **EAD** Basel 2 credit conversion factor ("CCF") o **Model risk adjustments** Covers only PD models o **Macro risk adjustment** - Based on the impact of macro economic events incurred but not reflected in the provisions yet	**<u>Collective allowance under MFRS 139 (full compliance)</u>** o **PD** - Non retail: **facility by facility basis** - Retail: a pool of homogeneous assets with more granular definitions o **LGD** - Actual historical recoveries and incorporated discounting factor o **EAD** - Actual historical experience o **Model risk adjustments** - Covers possible model risks within each component of the collective provisioning model o **Macro risk adjustment** - Enhanced to cover impact from economic portfolio and procedurals issues incurred but not reflected in the provisions yet
<u>Provision for commitments and contingencies (off balance sheet)</u> o **EAD** - Basel 2 CCF o **PD, LGD** as above applies	**<u>Provision for commitments and contingencies (off balance sheet)</u>** o **EAD** - Actual historical experience o New basis of **PD, LGD** applies (as above)

Table 5.1: Distribution of Gross Credit Exposures by Sector

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

	SEPTEMBER 2012													
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	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
On balance sheet exposures														
Sovereigns/ central banks	-	-	-	-	-	-	-	10,903,711	-	-	327,135	-	600,198	11,831,044
Banks, DFIs and MDBs	-	-	-	-	-	33	-	7,774,941	-	-	26	-	-	7,775,000
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	24,096	-	-	-	-	-	24,096
Corporates	2,698,138	2,084,810	7,261,064	1,485,989	4,571,737	4,464,852	2,814,209	4,093,407	6,112,949	1,010,745	1,221,844	1,116,432	238,037	39,174,213
Regulatory retail	125,843	32,880	335,288	8,378	329,184	507,162	198,342	18,688	30,801	204,182	127,515	31,120,961	1,735	33,040,959
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	9,416,075	-	9,416,075
Higher risk assets	-	-	2,132	-	-	-	-	859	1,386	-	-	21,229	102,656	128,262
Other assets	-	-	-	-	-	7,910	-	596,078	-	-	-	292,989	2,032,453	2,929,430
Securitisation	57,976	-	-	-	-	-	-	32,507	-	-	-	-	-	90,483
Equity	-	-	17	-	110	377	5,712	5,980	4,336	38	-	-	61,411	77,981
Defaulted exposures	13,460	97,678	179,293	228	345,284	44,974	216,443	23,511	44,393	9,154	39,303	830,356	14,594	1,858,671
Total for on balance sheet exposures	2,895,417	2,215,368	7,777,794	1,494,595	5,246,315	5,025,308	3,234,706	23,473,778	6,193,865	1,224,119	1,715,823	42,798,042	3,051,084	106,346,214
Off balance sheet exposures														
OTC derivatives	5,389	10,246	55,689	-	11,276	8,921	66,004	2,111,756	716	1,144	11	-	16,069	2,287,221
Credit derivatives	-	-	-	-	-	-	-	66	-	-	-	-	-	66
Off balance sheet exposures other than OTC derivatives or credit derivatives	342,967	188,650	1,914,525	107,124	2,734,644	1,086,935	496,158	661,931	1,093,904	327,942	122,305	3,731,977	17,753	12,826,815
Defaulted exposures	30	-	7,784	-	42,237	2,233	-	1,164	4,195	189	332	8,881	-	67,045
Total for off balance sheet exposures	348,386	198,896	1,977,998	107,124	2,788,157	1,098,089	562,162	2,774,917	1,098,815	329,275	122,648	3,740,858	33,822	15,181,147
Total on and off balance sheet exposures	**3,243,803**	**2,414,264**	**9,755,792**	**1,601,719**	**8,034,472**	**6,123,397**	**3,796,868**	**26,248,695**	**7,292,680**	**1,553,394**	**1,838,471**	**46,538,900**	**3,084,906**	**121,527,361**

Table 5.1: Distribution of gross credit exposures by sector (Contd.)

	MARCH 2012													
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	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
On balance sheet exposures														
Sovereigns/ central banks	-	-	-	-	-	-	-	8,224,182	-	50	66,435	-	1,000,442	9,291,109
Banks, DFIs and MDBs	-	-	-	-	-	36	-	7,349,564	-	-	31	-	-	7,349,631
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	30,666	-	-	-	-	-	30,666
Corporates	2,296,838	1,751,350	6,947,168	2,196,722	3,028,991	3,884,406	2,563,929	3,324,065	5,305,883	963,379	756,076	1,004,326	190,207	34,213,340
Regulatory retail	119,931	30,347	347,884	9,211	335,067	513,180	201,329	19,064	33,072	225,108	133,878	29,912,974	8,042	31,889,088
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	9,092,629	-	9,092,629
Higher risk assets	-	-	4,817	-	-	-	9,209	861	4,853	-	-	23,239	102,580	145,559
Other assets	284	-	2,350	103	170	864	-	705,888	-	295,037	46	213,380	2,115,630	3,333,752
Securitisation	61,741	-	-	-	-	-	-	35,721	-	-	-	-	-	97,462
Equity	-	-	41	-	9	480	6,982	7,224	4,249	42	-	-	41,629	60,656
Defaulted exposures	9,749	154,459	193,059	100,038	364,487	256,347	271,729	36,011	123,502	29,694	36,325	810,225	6,402	2,392,026
Total for on balance sheet exposures	2,488,543	1,936,156	7,495,319	2,306,074	3,728,724	4,655,313	3,053,178	19,733,246	5,471,559	1,513,310	992,791	41,056,773	3,464,932	97,895,918
Off balance sheet exposures														
OTC derivatives	5,608	9,878	44,928	-	15,006	26,552	57,349	1,812,560	-	332	-	-	36,893	2,009,106
Credit derivatives	-	-	-	-	-	-	-	69	-	-	-	-	-	69
Off balance sheet exposures other than OTC derivatives or credit derivatives	262,010	159,345	1,705,642	126,402	2,730,573	1,025,457	479,954	504,792	896,392	326,245	145,142	3,719,226	44,430	12,125,609
Defaulted exposures	30	-	182,602	-	41,843	4,062	140	954	3,426	111	531	15,713	-	249,412
Total for off balance sheet exposures	267,648	169,223	1,933,172	126,402	2,787,422	1,056,071	537,443	2,318,375	899,818	326,688	145,673	3,734,939	81,323	14,384,196
Total on and off balance sheet exposures	**2,756,191**	**2,105,379**	**9,428,491**	**2,432,476**	**6,516,146**	**5,711,384**	**3,590,621**	**22,051,621**	**6,371,377**	**1,839,998**	**1,138,464**	**44,791,712**	**3,546,255**	**112,280,114**

Table 5.2: Impaired and Past Due Loans, Advances and Financing, Individual and Collective Allowances by Sector

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

	SEPTEMBER 2012														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	23,180	154,992	200,317	25,965	88,068	53,370	4,836	32,701	13,297	17,737	62,129	1,135,134	11,531	-	**1,823,257**
Past due loans / financing	83,202	163,187	405,195	5,461	518,132	200,348	196,532	27,986	273,188	58,511	340,357	14,544,424	14,048	-	**16,830,571**
Individual allowances	8,290	57,444	26,694	25,257	39,991	2,761	1,094	5	52	4,277	4,019	2,957	6,688	-	**179,529**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	2,040,795	**2,040,795**
Charges for individual allowances	(3,238)	64,483	8,049	(4,007)	11,329	(173)	30	425	(11,908)	(68)	1,351	(411)	1,716	-	**67,578**
Write-offs against individual allowances	-	7,039	7,905	168	3,236	-	30	463	1,463	-	1,156	57	-	-	**21,517**

	MARCH 2012														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant and Hotel	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	24,406	154,760	208,863	132,208	96,582	46,138	4,600	37,628	26,200	12,631	58,870	1,089,006	14,283	-	**1,906,175**
Past due loans / financing	61,625	169,639	291,125	135,230	303,917	203,402	60,910	40,260	194,792	63,279	351,267	14,417,250	11,423	-	**16,304,119**
Individual allowances	11,528	-	26,549	29,432	31,898	2,934	1,094	43	13,423	1,529	3,824	4,051	8,054	-	**134,359**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	2,049,217	**2,049,217**
Charges for individual allowances	(6,502)	227,490	46,217	13,113	13,096	1,322	1,020	977	16,454	1,529	6,255	5,122	(2)	-	**326,091**
Write-offs against individual allowances	7,209	227,490	80,476	153,871	52,118	9,938	8,796	3,275	9,760	-	5,112	1,362	1,329	-	**560,736**

Table 5.3: Geographical Distribution of Credit Exposures

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

	SEPTEMBER 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ central banks	11,831,044	-	11,831,044
Banks, DFIs and MDBs	6,762,038	1,012,962	7,775,000
Insurance companies, securities firms & fund managers	-	24,096	24,096
Corporates	37,865,329	1,308,884	39,174,213
Regulatory retail	33,040,959	-	33,040,959
Residential mortgages	9,416,075	-	9,416,075
Higher risk assets	127,281	981	128,262
Other assets	2,916,230	13,200	2,929,430
Securitisation	90,483	-	90,483
Equity	77,943	38	77,981
Defaulted exposures	1,858,671	-	1,858,671
Total for on balance sheet exposures	103,986,053	2,360,161	106,346,214
Off balance sheet exposures			
OTC derivatives	2,287,221	-	2,287,221
Credit derivatives	66	-	66
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,787,129	39,686	12,826,815
Defaulted exposures	67,045	-	67,045
Total for off balance sheet exposures	15,141,461	39,686	15,181,147
Total on and off balance sheet exposures	**119,127,514**	**2,399,847**	**121,527,361**

	MARCH 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ central banks	9,291,109	-	9,291,109
Banks, DFIs and MDBs	6,189,758	1,159,873	7,349,631
Insurance companies, securities firms & fund managers	-	30,666	30,666
Corporates	33,042,898	1,170,442	34,213,340
Regulatory retail	31,889,087	-	31,889,087
Residential mortgages	9,092,479	150	9,092,629
Higher risk assets	141,881	3,678	145,559
Other assets	3,320,929	12,823	3,333,752
Securitisation	97,462	-	97,462
Equity	60,656	-	60,656
Defaulted exposures	2,392,027	-	2,392,027
Total for on balance sheet exposures	95,518,286	2,377,632	97,895,918
Off balance sheet exposures			
OTC derivatives	2,009,106	-	2,009,106
Credit derivatives	69	-	69
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,038,386	87,223	12,125,609
Defaulted exposures	249,412	-	249,412
Total for off balance sheet exposures	14,296,973	87,223	14,384,196
Total on and off balance sheet exposures	**109,815,259**	**2,464,855**	**112,280,114**

Table 5.4: Geographical Distribution of Impaired and Past Due Loans, Advances and Financing, Individual and Collective Allowances

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

	SEPTEMBER 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,823,257	-	1,823,257
Past due loans / financing	16,830,571	-	16,830,571
Individual allowances	179,529	-	179,529
Collective allowances	2,028,539	12,256	2,040,795

	MARCH 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,906,175	-	1,906,175
Past due loans / financing	16,304,119	-	16,304,119
Individual allowances	134,359	-	134,359
Collective allowances	2,047,281	4,936	2,052,217

Table 5.5: Residual Contractual Maturity by Major Types of Credit Exposure

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

	SEPTEMBER 2012								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	7,211,769	1,503,312	-	-	15,301	-	3,092,156	8,506	11,831,044
Banks, development financial institutions & multilateral development banks	4,188,624	2,267,282	286,107	101,418	873,232	-	58,337	-	7,775,000
Insurance companies, securities firms & fund managers	4	-	-	-	-	-	24,092	-	24,096
Corporates	8,115,896	3,813,326	2,086,847	3,833,528	4,855,522	4,487,476	11,951,617	30,000	39,174,212
Regulatory retail	1,907,175	146,755	72,660	254,126	3,488,250	5,595,604	21,576,390	-	33,040,960
Residential mortgages	18,335	701	2,110	5,000	47,490	121,375	9,221,064	-	9,416,075
Higher risk assets	439	271	22	17	532	2,448	24,937	99,596	128,262
Other assets	927,528	-	-	13,499	-	201,621	24,106	1,762,676	2,929,430
Securitisation	2,763	-	-	-	-	-	87,720	-	90,483
Equity	-	-	-	7,226	-	-	18,406	52,349	77,981
Defaulted exposures	605,500	23,519	13,168	161,111	248,161	143,734	663,478	-	1,858,671
Total for on balance sheet exposures	22,978,033	7,755,166	2,460,914	4,375,925	9,528,488	10,552,258	46,742,303	1,953,127	106,346,214
Off balance sheet exposures									
OTC derivatives	97,165	127,164	65,055	100,179	228,177	711,911	957,570	-	2,287,221
Credit derivatives	-	-	-	38	-	19	9	-	66
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,600,493	1,186,071	1,271,368	1,985,472	1,551,150	1,306,738	3,925,522	-	12,826,814
Defaulted exposures	4,190	3,543	2,076	23,716	22,830	3,446	7,244	-	67,045
Total for off balance sheet exposures	1,701,848	1,316,778	1,338,499	2,109,405	1,802,157	2,022,114	4,890,345	-	15,181,146
Total on and off balance sheet exposures	**24,679,881**	**9,071,944**	**3,799,413**	**6,485,330**	**11,330,645**	**12,574,372**	**51,632,648**	**1,953,127**	**121,527,360**

Table 5.5: Residual contractual maturity by major types of credit exposure (Contd.)

	MARCH 2012								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	5,391,611	250,043	-	-	45,528	-	3,591,688	12,239	9,291,110
Banks, development financial institutions & multilateral development banks	3,510,111	2,464,885	363,649	822	676,957	279,412	23,737	30,058	7,349,632
Insurance companies, securities firms & fund managers	-	-	30,666	-	-	-	-	-	30,666
Corporates	6,793,107	2,929,988	1,884,272	1,607,103	6,369,983	3,588,052	11,007,952	32,882	34,213,339
Regulatory retail	1,888,344	55,531	81,129	203,130	3,389,757	5,983,755	20,287,441	-	31,889,088
Residential mortgages	10,689	862	876	6,164	48,963	114,495	8,910,580	-	9,092,628
Higher risk assets	3,766	81	30	269	9,776	5,064	27,053	99,520	145,559
Other assets	1,352,108	-	-	8,230	-	166,664	21,166	1,785,584	3,333,752
Securitisation	3,601	-	-	-	-	-	93,861	-	97,462
Equity	-	-	-	-	8,202	-	10,957	41,497	60,656
Defaulted exposures	588,497	55,581	295,247	16,669	401,628	198,739	835,666	-	2,392,026
Total for on balance sheet exposures	19,541,834	5,756,971	2,655,869	1,842,387	10,950,794	10,336,181	44,810,101	2,001,780	97,895,918
Off balance sheet exposures									
OTC derivatives	102,580	95,126	68,437	93,670	240,180	722,535	686,578	-	2,009,106
Credit derivatives	-	1	-	-	39	19	10	-	69
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,907,047	603,352	1,156,941	2,218,000	1,358,425	865,472	4,016,372	-	12,125,609
Defaulted exposures	29,229	10,443	4,593	113,786	64,433	6,502	20,426	-	249,412
Total for off balance sheet exposures	2,038,856	708,922	1,229,971	2,425,456	1,663,077	1,594,528	4,723,386	-	14,384,196
Total on and off balance sheet exposures	**21,580,690**	**6,465,893**	**3,885,840**	**4,267,843**	**12,613,871**	**11,930,709**	**49,533,487**	**2,001,780**	**112,280,114**

Table 5.6: Reconciliation of Changes to Loans/ Financing Impairment Allowances

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

	SEPTEMBER 2012	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April	134,359	2,049,217
Charge for the year – net	66,687	267,832
Amount written-off	(21,517)	(276,161)
Exchange differences	-	(93)
Balance at 31 March	179,529	2,040,795

	(Charge off)/recoveries RM'000
Bad debts written off during the year	(46,957)
Bad debt recoveries during the year	352,162

	MARCH 2012	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April	371,430	2,167,208
Charge for the year – net	323,665	619,157
Amount written-off	(560,736)	#VALUE!
Exchange differences	-	29
Balance at 31 March	134,359	#VALUE!

	(Charge off)/recoveries RM'000
Bad debts written off during the year	(111,810)
Bad debt recoveries during the year	615,931

6.0 Credit Risk Exposure under the Standardised Approach

Table 6.1: Credit Exposures by Risk Weights under the Standardised Approach

The aggregated credit risk exposures by risk weights of the Group are as follows:

	SEPTEMBER 2012											
	Exposures after netting and credit risk mitigation											
Risk Weights	Sovereigns & Central Banks RM '000	Banks, MDBs and FDIs RM '000	Insurance Cos, Securities Firms & Fund Managers RM '000	Corporates RM '000	Regulatory Retail RM '000	Residental Mortgages RM '000	Higher Risk Assets RM '000	Other Assets RM '000	Securitisation RM '000	Equity RM '000	Total Exposures after Netting & Credit Risk Mitigation RM '000	Total Risk Weighted Assets RM '000
0%	11,734,194	34,819	-	2,293,870	-	-	-	530,176	-	-	14,593,059	-
20%	81,741	7,417,135	-	1,669,737	116,373	-	-	230,181	73,973	-	9,589,140	1,917,828
35%	-	-	-	-	-	7,842,463	-	-	-	-	7,842,463	2,744,862
50%	-	2,276,157	-	507,033	37,754	1,676,755	-	-	10,374	-	4,508,073	2,254,037
75%	-	-	-	-	35,647,321	-	-	-	-	-	35,647,321	26,735,491
100%	-	58	65,003	40,959,871	1,133,689	127,572	-	2,169,073	-	77,981	44,533,245	44,533,246
150%	-	-	-	757,854	282,047	-	149,752	-	-	-	1,189,653	1,784,479
1250%	-	-	-	-	-	-	-	-	6,136	-	6,136	-
Total	11,815,935	9,728,169	65,003	46,188,365	37,217,184	9,646,790	149,752	2,929,430	90,483	77,981	117,909,090	79,969,942
Deduction from Capital Base	-	-	-	-	-	-	-	-	6,136	-	6,136	

	MARCH 2012											
	Exposures after netting and credit risk mitigation											
Risk Weights	Sovereigns & Central Banks RM '000	Banks, MDBs and FDIs RM '000	Insurance Cos, Securities Firms & Fund Managers RM '000	Corporates RM '000	Regulatory Retail RM '000	Residental Mortgages RM '000	Higher Risk Assets RM '000	Other Assets RM '000	Securitisation RM '000	Equity RM '000	Total Exposures after Netting & Credit Risk Mitigation RM '000	Total Risk Weighted Assets RM '000
0%	8,909,046	-	-	985,852	-	-	-	458,241	-	-	10,353,139	-
20%	63,530	7,037,288	-	1,559,023	159,004	-	-	312,913	77,720	-	9,209,478	1,841,896
35%	-	-	-	-	-	7,432,161	-	-	-	-	7,432,161	2,601,256
50%	-	2,025,756	-	688,542	80,329	1,670,163	-	-	10,296	-	4,475,086	2,237,543
75%	-	-	-	-	34,768,301	-	-	-	-	-	34,768,301	26,076,226
100%	-	14	107,325	36,646,382	596,076	213,554	-	2,562,598	-	60,656	40,186,605	40,186,605
150%	-	-	-	1,321,136	453,211	-	158,150	-	-	-	1,932,497	2,898,746
1250%	-	-	-	-	-	-	-	-	9,446	-	9,446	-
Total	8,972,576	9,063,058	107,325	41,200,935	36,056,921	9,315,878	158,150	3,333,752	97,462	60,656	108,366,713	75,842,271
Deduction from Capital Base	-	-	-	-	-	-	-	-	9,446	-	9,446	

Table 6.2: Rated Exposures According to Ratings by ECAIs

Exposure class	SEPTEMBER 2012					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance cos., securities firms & fund managers	65,003	-	-	-	-	65,003
Corporates	46,188,363	1,135,242	359,797	123,784	5,465	44,564,075
Total	46,253,366	1,135,242	359,797	123,784	5,465	44,629,078

Exposure class	MARCH 2012					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance cos., securities firms & fund managers	107,325	-	-	-	-	107,325
Corporates	41,200,934	1,077,887	504,568	109,022	3,617	39,505,841
Total	41,308,259	1,077,887	504,568	109,022	3,617	39,613,166

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

	SEPTEMBER 2012					
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
Exposure class	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	134,712	134,712	-	-	-	-

	MARCH 2012					
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
Exposure class	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	135,459	135,459	-	-	-	-

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

	SEPTEMBER 2012					
	Ratings of Banking Institutions by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**9,593,996**	2,478,811	845,114	2,680,708	58	3,589,305
Total	**9,593,996**	**2,478,811**	**845,114**	**2,680,708**	**58**	**3,589,305**

	MARCH 2012					
	Ratings of Banking Institutions by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**8,927,598**	2,894,132	444,000	1,766,958	14	3,822,494
Total	**8,927,598**	**2,894,132**	**444,000**	**1,766,958**	**14**	**3,822,494**

Table 6.2: Rated Exposures According to Ratings by ECAIs (Contd.)

Exposure class	SEPTEMBER 2012					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**9,593,996**	2,478,811	845,114	2,680,708	58	3,589,305
Total	**9,593,996**	**2,478,811**	**845,114**	**2,680,708**	**58**	**3,589,305**

Exposure class	MARCH 2012					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, MDBs and FDIs	**8,927,598**	2,894,132	444,000	1,766,958	14	3,822,494
Total	**8,927,598**	**2,894,132**	**444,000**	**1,766,958**	**14**	**3,822,494**

Table 6.3: Securitisation According to Ratings by ECAIs

	SEPTEMBER 2012			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
Exposure class	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation	**90,483**	73,973	10,374	6,136
Total	90,483	73,973	10,374	6,136

	MARCH 2012			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
Exposure class	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating &	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation	**97,462**	77,719	10,296	9,446
Total	97,462	77,719	10,296	9,446

Note: All securitisations are for periods exceeding 12 months.

7.0 Credit Risk Mitigation under the Standardised Approach

Table 7.1: Credit Risk Mitigation

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

	SEPTEMBER 2012		
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	11,831,044	-	96,850
Banks, development financial institutions & MDBs	7,775,000	-	-
Insurance cos, securities firms & fund managers	24,096	-	-
Corporates	39,174,213	245,855	2,469,840
Regulatory retail	33,040,959	104,699	200,891
Residential mortgages	9,416,075	-	15,552
Higher risk assets	128,262	-	-
Other assets	2,929,430	-	-
Specialised Financing/ Investment	-	-	-
Securitisation	90,483	-	-
Equity	77,981	-	-
Defaulted exposures	1,858,671	13,054	167,066
Total for on balance sheet exposures	106,346,214	363,608	2,950,199
Off balance sheet exposures			
OTC derivatives	2,287,221	-	-
Credit derivatives	66	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,826,815	93,767	696,462
Defaulted exposures	67,045	1	11,618
Total for off balance sheet exposures	15,181,147	93,768	708,080
Total on and off balance sheet exposures	**121,527,361**	**457,376**	**3,658,279**

	MARCH 2012		
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	9,291,109	-	382,063
Banks, development financial institutions & MDBs	7,349,631	-	-
Insurance cos, securities firms & fund managers	30,666	-	-
Corporates	34,213,340	138,738	2,249,823
Regulatory retail	31,889,087	132,160	185,537
Residential mortgages	9,092,629	-	14,838
Higher risk assets	145,559	-	-
Other assets	3,333,752	-	-
Securitisation	97,462	-	-
Equity	60,656	-	-
Defaulted exposures	2,392,027	28,415	309,155
Total for on balance sheet exposures	97,895,918	299,313	3,141,416
Off balance sheet exposures			
OTC derivatives	2,009,106	-	-
Credit derivatives	69	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,125,609	4,563	790,313
Defaulted exposures	249,412	-	18,544
Total for off balance sheet exposures	14,384,196	4,563	808,857
Total on and off balance sheet exposures	**112,280,114**	**303,876**	**3,950,273**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

Description	SEPTEMBER 2012			
	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	1,658,458		1,658,459	1,442,700
Transaction related contingent Items	3,688,846		1,844,423	1,348,188
Short Term Self Liquidating trade related contingencies	800,165		159,683	132,170
Assets sold with recourse	1,512,516		1,507,160	1,135,413
Forward Asset Purchases	280,765		17,647	14,487
Obligations under underwriting agreements	505,919		-	-
Foreign exchange related contracts				
One year or less	22,255,771	158,662	314,600	162,244
Over one year to five years	2,756,294	19,671	264,194	198,880
Over five years	838,708	26,411	207,312	157,510
Interest/Profit rate related contracts				
One year or less	11,668,042	14,337	36,515	19,351
Over one year to five years	19,441,846	108,926	629,805	235,693
Over five years	8,408,258	161,712	750,258	377,067
Equity related contracts				
One year or less	431,147	2,262	11,548	8,067
Over one year to five years	618,474	6,454	38,192	19,095
Over five years	21	-	-	-
Other Commodity Contracts				
One year or less	166,300	1,924	10,240	5,119
Over one year to five years	352,806	3,396	24,565	12,282
Credit Derivative Contracts				
One year or less	266,008	3,420	38	19
Over one year to five years	296,549	985	19	6
Over five years	296,032	5,424	10	2
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,146,541		3,042,699	2,641,508
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	19,984,440		4,009,311	3,614,044
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	100		200	200
Unutilised credit card lines	3,271,358		654,271	488,220
Total	**105,645,364**	**513,584**	**15,181,149**	**12,012,265**

Table 8.1: Off Balance Sheet Exposures (Contd.)

	MARCH 2012			
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	1,925,356		1,925,355	1,707,892
Transaction related contingent Items	3,608,457		1,804,229	1,311,315
Short Term Self Liquidating trade related contingencies	694,687		138,654	126,369
Assets sold with recourse	1,645,251		1,642,828	1,236,836
Forward Asset Purchases	486,724		18,373	6,792
Obligations under underwriting agreements	513,100		-	-
Foreign exchange related contracts				
One year or less	20,376,728	117,097	290,030	149,459
Over one year to five years	3,145,654	26,001	325,855	240,346
Over five years	58,532	-	11,706	5,854
Interest/Profit rate related contracts				
One year or less	14,448,655	19,931	55,617	33,130
Over one year to five years	18,849,399	94,269	587,236	217,854
Over five years	8,042,138	93,824	674,872	338,101
Equity related contracts				
One year or less	514,710	2,132	10,251	10,216
Over one year to five years	433,732	12,763	32,414	15,885
Over five years	20	-	-	-
Other Commodity Contracts				
Over one year to five years	224,619	3,731	17,208	8,604
Credit Derivative Contracts				
One year or less	61,290	140	1	-
Over one year to five years	549,473	14,974	58	25
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,640,166		2,820,087	2,405,709
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,690,364		3,338,126	3,110,261
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	100		200	200
Unutilised credit card lines	3,435,769		687,154	513,133
Total	**101,716,287**	**391,047**	**14,384,196**	**11,438,769**

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

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

		30 SEPTEMBER 2012		31 MARCH 2012	
		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	420,141	438,448	451,749	468,693

* Out of the total notional exposure for protection bought as at 30 September 2012, RM421,948,000 (31 March 2012: RM452,193,000) has no counterpart credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of the Group are as follows:

	SEPTEMBER 2012			
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	517,701	-	434,965	-
Mortgage loans	964,626	-	680,128	-
Total Traditional Securitisation	1,482,327	-	1,115,093	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional & Synthetic Securitisation	**1,482,327**	**-**	**1,115,093**	**-**

	MARCH 2012			
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gains/ losses recognised during the year RM'000**
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	1,000,418	-	918,939	-
Mortgage loans	496,890	-	198,667	-
Total Traditional Securitisation	1,497,308	-	1,117,606	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional & Synthetic Securitisation	**1,497,308**	**-**	**1,117,606**	**-**

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

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	Risk Weighted Assets RM'000
	SEPTEMBER 2012					
Traditional Securitisation						
Originated by Third Party						
On-Balance Sheet Exposures	84,347	84,347	-	73,973	10,374	19,982
Originated by the Group						
On-Balance Sheet Exposures	6,136	6,136	6,136	-	-	-
Total Traditional Securitisation	90,483	90,483	6,136	73,973	10,374	19,982
Total Synthetic Securitisation	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**90,483**	**90,483**	**6,136**	**73,973**	**10,374**	**19,982**

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	Risk Weighted Assets RM'000
	MARCH 2012					
Traditional Securitisation						
Originated by Third Party						
On-Balance Sheet Exposures	88,016	88,016	-	77,719	10,296	20,692
Originated by the Group						
On-Balance Sheet Exposures	9,446	9,446	9,446	-	-	-
Total Traditional Securitisation	97,462	97,462	9,446	77,719	10,296	20,692
Total Synthetic Securitisation	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**97,462**	**97,462**	**9,446**	**77,719**	**10,296**	**20,692**

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

Securitisation Exposures by Exposure Type	SEPTEMBER 2012				
	Exposures Value of Positions Purchased or Retained RM'000	Exposures subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	5,119	-	11	13	297
Total Traditional Securitisation	5,119	-	11	13	297
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	5,119	-	11	13	297

Securitisation Exposures by Exposure Type	MARCH 2012				
	Exposures Value of Positions Purchased or Retained RM'000	Exposures subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	10,461	-	84	105	2,363
Total Traditional Securitisation	10,461	-	84	105	2,363
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	10,461	-	84	105	2,363

10.0 Equities (Banking Book Positions)

Table 10.1: Equity Investments and Capital Requirement

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

	SEPTEMBER 2012	MARCH 2012
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	101,706	113,570
Value of unquoted (privately held) equities	102,655	102,582
Total	204,361	216,152
Net realised and unrealised gains/ (losses)		
Cumulative realised gains/ (losses) from sales and liquidations	44	4,113
Total unrealised gains/ (losses)	2,771	(403)
Total	2,815	3,710
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	100,755	112,454
Equity investments subject to a 150% risk weight	155,409	155,546
Total	256,164	268,000
Total minimum capital requirement (8%)	20,493	21,440

11.0 Non-Traded Market Risk

Table 11.1: Market Risk Sensitivity – Interest Rate Risk/ Rate of Return Risk in the Banking Book

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

Impact On Profit Before Taxation	**SEPTEMBER 2012**	
Currency	**Interest Rate / Rate of Return + 100 bps RM'000**	**Interest Rate / Rate of Return - 100 bps RM'000**
MYR	27,688	(27,688)
Impact on Equity		
Currency	**Interest Rate / Rate of Return + 100 bps RM'000**	**Interest Rate / Rate of Return - 100 bps RM'000**
MYR	(396,883)	440,487

Impact On Profit Before Taxation	**MARCH 2012**	
Currency	**Interest Rate / Rate of Return + 100 bps RM'000**	**Interest Rate / Rate of Return - 100 bps RM'000**
MYR	73,348	(73,348)
Impact on Equity		
Currency	**Interest Rate / Rate of Return + 100 bps RM'000**	**Interest Rate / Rate of Return - 100 bps RM'000**
MYR	(229,846)	258,155

12.0 Shariah Governance Structure

Group Islamic Banking operations observe the Shariah Governance Framework for Islamic Financial Institutions issued by BNM.