AmIslamic Bank Berhad

(Company No. 295576–U)
(Incorporated in Malaysia)

CAFIB - Pillar 3 Disclosures

For the Financial Period

1 April 2012 to

30 September 2012

Pillar 3 Disclosures
As at 30 September 2012

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1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Bank - ("CAFIB") – Disclosure Requirements ("Pillar 3") is applicable to 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 CAFIB framework is applicable to the Bank, a subsidiary of AMMB Holdings Berhad ("AMMB"), 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 Group Managing Director.

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.

The capital adequacy ratios are computed in accordance with BNM's CAFIB, which are based on the Basel II capital accord. The Bank 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.

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:
- 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 Bank's risk, performance and capital.

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, for example, 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 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 the 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.

2.0 Capital Management (Contd.)

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, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Bank'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 Bank 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 Bank'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. 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 ("FY2013"), these ranges are 9.33 per cent to 11.33 per cent for the Bank Tier 1 capital ratio and 13.33 per cent to 15.33 per cent for the total capital ratio. The Bank has been (knowingly) operating in excess of these ranges as the Bank 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 Bank's capital plan.

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

2.0 Capital Management (Contd.)

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 Ratios

The capital adequacy ratios of the Bank are as follows:

	Bank	
	30 September 2012	31 March 2012
Core capital ratio	8.1%	9.0%
Risk weighted capital ratio	13.4%	15.2%

Table 2.2: Risk Weighted Assets ("RWA") and Capital Requirements

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

30 September 2012

Exposure class		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		2,974,195	2,974,195	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")		1,828,020	1,828,020	378,255	30,260
Corporates		8,861,132	8,664,775	7,398,859	591,909
Regulatory retail		11,398,027	11,384,301	8,687,147	694,972
Residential mortgages		156,877	156,842	55,871	4,470
Other assets		170,553	170,553	164,645	13,172
Defaulted exposures		249,192	246,761	325,172	26,014
Total on balance sheet exposures		**25,637,996**	**25,425,447**	**17,009,949**	**1,360,797**
Off balance sheet exposures					
Over the counter ("OTC") derivatives		63,072	63,072	32,469	2,598
Off balance sheet exposures other than OTC derivatives or credit derivatives		3,390,156	3,307,380	2,791,959	223,357
Defaulted exposures		11,083	10,969	14,567	1,165
Total off balance sheet exposures		**3,464,311**	**3,381,421**	**2,838,995**	**227,120**
Total on and off balance sheet exposures		**29,102,307**	**28,806,868**	**19,848,944**	**1,587,917**
2. **Large exposure risk requirement**					
3. **Market risk**	**Long Position**	**Short Position**			
Rate of Return Risk					
- General profit rate risk	3,826,096	669,854		583,987	46,719
- Specific profit rate risk	3,186,314	30,126		111,546	8,924
Foreign Currency Risk	50,224	-		50,224	4,018
Total	**7,062,634**	**699,980**		**745,757**	**59,661**
4. **Operational risk**				1,380,792	110,463
5. **Total RWA and capital requirements**				21,975,493	1,758,041

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

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

31 March 2012

Exposure class		Gross Exposures/ EAD 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		2,963,412	2,963,412	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")		2,043,864	2,043,864	408,773	32,702
Corporates		7,352,689	7,170,654	6,079,513	486,361
Regulatory retail		9,705,308	9,695,735	7,370,824	589,666
Residential mortgages		166,351	166,316	59,482	4,759
Other assets		302,025	302,026	297,735	23,819
Defaulted exposures		188,122	187,160	245,543	19,643
Total on balance sheet exposures		**22,721,771**	**22,529,167**	**14,461,870**	**1,156,950**
Off balance sheet exposures					
Over the counter ("OTC") derivatives		35,840	35,840	17,901	1,432
Off balance sheet exposures other than OTC derivatives or credit derivatives		3,224,545	3,080,917	2,602,750	208,220
Defaulted exposures		9,691	9,561	13,394	1,071
Total off balance sheet exposures		**3,270,076**	**3,126,318**	**2,634,045**	**210,723**
Total on and off balance sheet exposures		**25,991,847**	**25,655,485**	**17,095,915**	**1,367,673**
2. **Large exposure risk requirement**		-	-	-	0
3. **Market risk**	**Long Position**	**Short Position**			
Rate of Return Risk					
- General profit rate risk	2,565,717	812,263		273,208	21,857
- Specific profit rate risk	1,753,346	-		103,245	8,260
Foreign currency Risk	7,591	251		7,591	607
Total	**4,326,654**	**812,514**		**384,044**	**30,724**
4. **Operational risk**				1,327,826	106,226
5. **Total RWA and capital requirements**				18,807,785	1,504,623

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

- paid-up ordinary share capital and eligible reserves;
- qualifying subordinated liabilities; and
- collective allowance (netted against financing and advances).

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 and eligible reserves, 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/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.

Eligible Reserves

Eligible reserves comprise the following:

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

3.1 Tier 1 Capital (Contd.)

- **Statutory Reserve**

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

3.2 Tier 2 capital

The main components of Tier 2 capital are collective allowance for financing and Subordinated Sukuk Musharakah.

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.

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, the Bank 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. 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 per cent of the principal amount together with the expected profit payments.

Table 3.1: Capital Structure

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

	The Bank	
	30 September 2012 RM'000	31 March 2012 RM'000
Tier 1 capital		
Paid-up ordinary share capital	428,038	428,038
Share premium	609,068	609,068
Statutory reserve	359,716	359,716
Retained earnings	451,129	328,654
	1,847,951	1,725,476
Less : Deferred tax asset	(59,885)	(32,258)
Total Tier 1 capital	1,788,066	1,693,218
Tier 2 capital		
Subordinated Sukuk Musharakah	800,000	800,000
Collective allowance on impaired financing and advance #	361,700	370,964
Total Tier 2 capital	1,161,700	1,170,964
Capital base	2,949,766	2,864,182

\# Excludes collective allowance on impaired financing restricted from Tier 2 capital of the Bank of RM119,755,000 *as a*t 30 September 2012 (31 March 2012: RM92,469,000).

The breakdown of risk weighted assets of the Bank in the various risk categories is as follows:

	The Bank	
	30 September 2012 RM'000	31 March 2012 RM'000
Credit risk	19,848,944	17,095,915
Market risk	745,756	384,044
Operational risk	1,380,792	1,327,826
Total risk weighted assets	21,975,492	18,807,785

4.0 Credit 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, 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 taking into account the Bank'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 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 Bank'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 financing portfolio into less volatile earnings streams.

The 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 profit rate risk in the balance sheet.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III 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 III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Adjusted Loan/Financing Deposit Ratio is within 90 per cent range with continually improving current account and savings account ("CASA") deposit composition and market share.

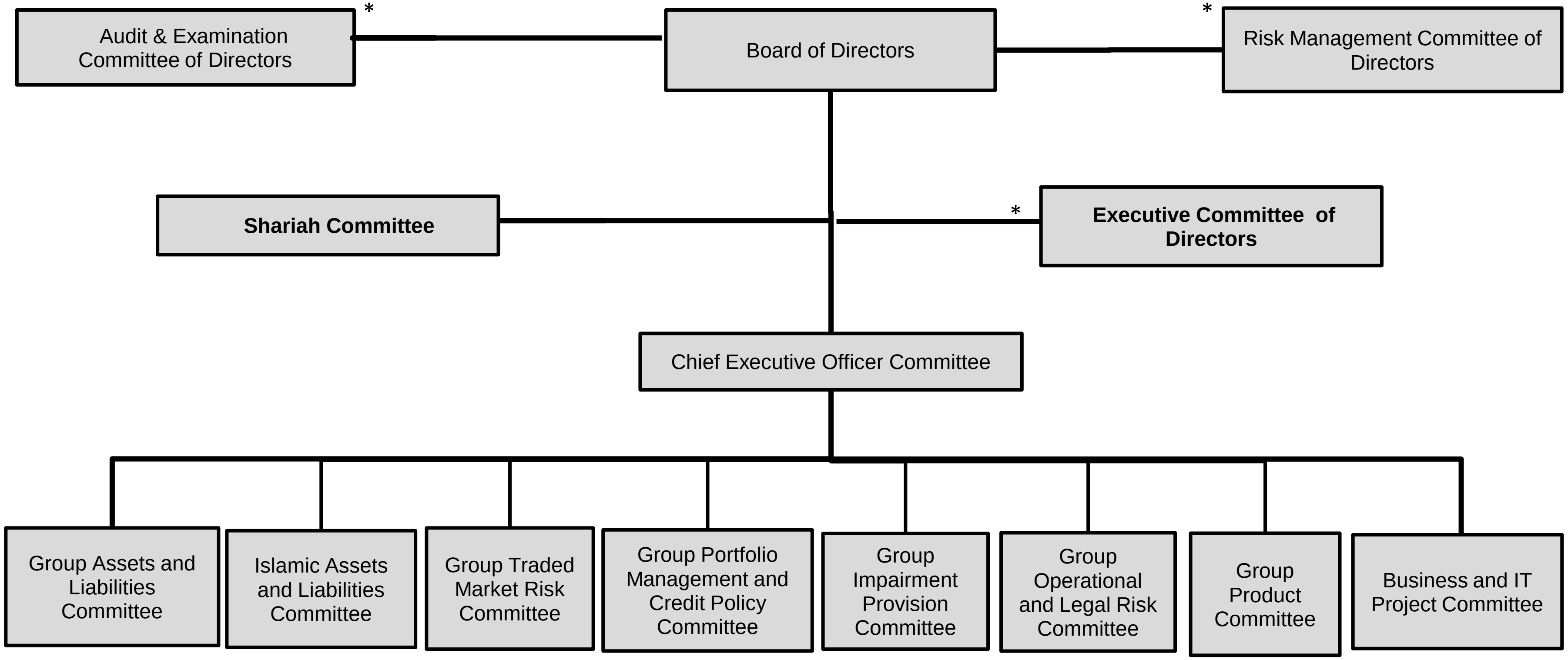
4.0 Risk Management Framework

Risk Management Governance

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

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

4.0 Risk Management Framework (Contd.)



** At entity level*

4.0 Risk Management Framework (Contd.)

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 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 function; Shariah review, Shariah audit and Shariah Risk Management.
Executive Committee of Directors ("EXCO")	- Responsible to consider and approve credit facilities and commitments 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 commitments 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 advise 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 is 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 is effective and fair and capital is managed.

4.0 Risk Management Framework (Contd.)

Committee	Roles and Responsibilities
Group Traded Market Risk Committee (“GTMRC”)	- Responsible for the development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee (“GPMCP”)	- Responsible for development of 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 provisions are assessed and made in accordance with the Board's approved policies and MFRS 139 and FRS 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 Information Technology ("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 and 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 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 Bank's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the customer 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 the Bank 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" (that is, the worst performing risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank'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 customers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been developed and deployed recently in FY2013.

5.0 Credit Risk Management (Contd.)

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 III 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 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. 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 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 loan/financing (that is, 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 Bank 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 Bank's financing portfolio, approve new and amended credit risk policy, review watchlist reports and post-mortem review of 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.

5.0 Credit Risk Management (Contd.)

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

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.

A financing is classified as impaired under the following circumstances:

(a) where the principal or profit or both[1] 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 financing exhibits weaknesses that render a classification appropriate to the Bank's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Bank's Watch-list Policy.

(c) for 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 to be classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these financing shall be classified as impaired when the principal or profit or both is past due for more than 90 days or 3 months.

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

[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.

5.1 Impairment (Contd.)

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, that is, 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 financing net of individual impairment allowance; or

(b) Full MFRS 139 compliance approach – where collective allowances are computed using models based on the banking institutions' history of experience.

5.1 Impairment (Contd.)

5.1.2 Methodology for Determination of Individual and Collective Allowances (Contd.)

The Bank has opted for the transitional approach and has modified it to reflect its historical loss experience. However, beginning the first quarter of FY2013, the Bank has prepared its financial statements in full compliance with the MFRS 139. The change in accounting policy on the collective assessment for financing and advances are accounted for retrospectively. The changes are tabulated below:

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

5.1 Impairment (Contd.)

5.1.2 Methodology for Determination of Individual and Collective Allowances (Contd.)

<u>Provision for commitments and contingencies (off balance sheet)</u>	**<u>Provision for commitments and contingencies (off balance sheet)</u>**

• **EAD**
  - Basel III CCF
• **PD, LGD** as above applies
	• **EAD**
	  - Actual historical experience
	• New basis of **PD, LGD** applies (as above)

5.0 Credit Risk Management

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 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	-	-	-	-	-	-	-	2,373,997	-	-	-	-	600,198	2,974,195
Banks, DFI and MDB	-	-	-	-	-	-	-	1,828,020	-	-	-	-	-	1,828,020
Corporates	448,253	69,723	2,159,849	234,166	1,770,493	615,001	793,600	554,330	1,430,841	377,918	270,188	108,654	28,116	8,861,132
Regulatory retail	32,998	10,788	60,278	1,159	65,388	83,966	49,133	2,482	8,311	39,006	40,990	11,003,181	347	11,398,027
Residential mortgages	-	-	-	-	-	-	-			-	-	156,877	-	156,877
Other assets	-	-	-	-	-	-	-			-	-	-	170,553	170,553
Defaulted exposures	364	14	20,188	128	24,569	5,431	50,055	154	3,014	1,907	4,150	127,327	11,891	249,192
Total on balance sheet exposures	481,615	80,525	2,240,315	235,453	1,860,450	704,398	892,788	4,758,983	1,442,166	418,831	315,328	11,396,039	811,105	25,637,996
Off balance sheet exposures														
OTC derivatives	-	-	57	-	35	-	-	62,980	-	-	-	-	-	63,072
Off balance sheet exposures other than OTC derivatives or credit derivatives	54,126	19,752	377,932	24,922	499,503	215,700	131,524	65,581	283,997	79,016	11,506	1,626,105	492	3,390,156
Defaulted exposures	-	-	2,040	-	37	99	-	-	-	189	102	8,616	-	11,083
Total off balance sheet exposures	54,126	19,752	380,029	24,922	499,575	215,799	131,524	128,561	283,997	79,205	11,608	1,634,721	492	3,464,311
Total on and offbalance sheet exposures	**535,741**	**100,277**	**2,620,344**	**260,375**	**2,360,025**	**920,197**	**1,024,312**	**4,887,544**	**1,726,163**	**498,036**	**326,936**	**13,030,760**	**811,597**	**29,102,307**

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

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

31 March 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	-	-	-	-	-	-	-	1,962,920	-	50	-	-	1,000,442	2,963,412
Banks, DFI and MDB	-	-	-	-	-	-	-	2,043,864	-	-	-	-	-	2,043,864
Corporates	285,425	73,741	2,059,223	222,495	1,243,254	549,650	848,904	369,829	1,139,529	290,391	200,402	64,690	5,156	7,352,689
Regulatory retail	32,708	7,981	53,369	1,431	66,984	77,064	43,971	2,701	8,211	39,173	38,545	9,332,764	406	9,705,308
Residential mortgages	-	-	-	-	-	-	-	-			-	166,351	-	166,351
Other assets	-	-	-	-	-	-	-	-			-	-	302,025	302,025
Defaulted exposures	431	20	9,639	49	1,347	7,651	703	1,017	24,776	16,066	3,403	123,020	-	188,122
Total on balance sheet exposures	318,564	81,742	2,122,231	223,975	1,311,585	634,365	893,578	4,380,331	1,172,516	345,680	242,350	9,686,825	1,308,029	22,721,771
Off balance sheet exposures														
OTC derivatives	-	-	9	-	-	10	16	35,805	-	-	-	-	-	35,840
Off balance sheet exposures other than OTC derivatives or credit derivatives	63,240	8,974	298,263	20,105	336,128	225,520	128,335	37,111	234,316	59,718	38,593	1,773,908	334	3,224,545
Defaulted exposures	-	-	2,528	-	70	66	40	-	-	111	70	6,806	-	9,691
Total off balance sheet exposures	63,240	8,974	300,800	20,105	336,198	225,596	128,391	72,916	234,316	59,829	38,663	1,780,714	334	3,270,076
Total on and off balance sheet exposures	**381,804**	**90,716**	**2,423,031**	**244,080**	**1,647,783**	**859,961**	**1,021,969**	**4,453,247**	**1,406,832**	**405,509**	**281,013**	**11,467,539**	**1,308,363**	**25,991,847**

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

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

30 September 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	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 and advances	349	82	22,060	143	2,799	4,855	342	-	452	713	14,005	217,179	4	-	**262,983**
Past due financing	27,920	1,703	68,712	1,571	45,713	34,382	14,500	685	35,662	17,867	109,999	4,284,457	387	-	**4,643,558**
Individual allowances	-	-	10,392	-	-	-	-	-	-	-	3,442	-	-	-	**13,834**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	481,455	**481,455**
Charges for individual allowances - net	-	-	4,436	-	-	-	-	-	-	-	198	-	-	-	**4,634**
Write-offs against individual allowances	-	-	7,124	-	-	-	-	-	-	-	-	-	-	-	**7,124**

31 March 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	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 and advances	471	83	23,994	78	1,743	3,708	511	-	-	262	14,065	192,809	-	-	**237,724**
Past due financing	17,100	5,497	60,143	510	45,134	25,818	8,067	770	13,186	15,761	88,317	3,995,169	1,010	-	**4,276,482**
Individual allowances	-	-	13,080	-	-	-	-	-	-	-	3,244	-	-	-	**16,324**
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	460,411	**460,411**
Charges for individual allowances - net	-	-	1,886	-	1,517	(714)	-	-	-	-	3,244	-	-	-	**5,933**
Write-offs against individual allowances	-	-	2,259	-	2,859	9,938	-	-	-	-	-	-	-	-	**15,056**

Table 5.3: Geographical distribution of credit exposures

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

30 September 2012	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On balance sheet exposures			
Sovereigns/central banks	2,974,195	-	2,974,195
Banks, DFI and MDB	1,808,911	19,109	1,828,020
Corporates	8,850,822	10,310	8,861,132
Regulatory retail	11,398,027	-	11,398,027
Residential mortgages	156,877	-	156,877
Other assets	170,553	-	170,553
Defaulted exposures	249,192	-	249,192
Total on balance sheet exposures	25,608,577	29,419	25,637,996
Off balance sheet exposures			
OTC derivatives	63,072	-	63,072
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,390,156	-	3,390,156
Defaulted exposures	11,083	-	11,083
Total off balance sheet exposures	3,464,311	-	3,464,311
Total on and off balance sheet exposures	**29,072,888**	**29,419**	**29,102,307**

31 March 2012	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On balance sheet exposures			
Sovereigns/central banks	2,963,412	-	2,963,412
Banks, DFI and MDB	2,036,272	7,592	2,043,864
Corporates	7,342,459	10,230	7,352,689
Regulatory retail	9,705,308	-	9,705,308
Residential mortgages	166,351	-	166,351
Other assets	302,025	-	302,025
Defaulted exposures	188,122	-	188,122
Total on balance sheet exposures	22,703,949	17,822	22,721,771
Off balance sheet exposures			
OTC derivatives	35,840	-	35,840
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,224,545	-	3,224,545
Defaulted exposures	9,691	-	9,691
Total off balance sheet exposures	3,270,076	-	3,270,076
Total on and off balance sheet exposures	**25,974,025**	**17,822**	**25,991,847**

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

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

30 September 2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired financing and advances	262,983	-	262,983
Past due financing	4,643,558	-	4,643,558
Individual allowances	13,834	-	13,834
Collective allowances	481,455	-	481,455

31 March 2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired financing and advances	237,724	-	237,724
Past due financing	4,276,482	-	4,276,482
Individual allowances	16,324	-	16,324
Collective allowances	460,411	-	460,411

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 2012	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	2,243,195	-	-	-	-	-	731,000	-	2,974,195
Banks, DFI and MDB	1,173,845	518,791	-	-	120,506	-	14,878	-	1,828,020
Corporates	2,110,550	1,004,514	496,791	219,924	1,179,102	920,371	2,929,880	-	8,861,132
Regulatory retail	333,393	89,558	12,667	60,540	918,356	1,286,568	8,696,945	-	11,398,027
Residential mortgages	35	17	94	129	1,332	3,759	151,511	-	156,877
Other assets	35,953	-	-	-	-	-	-	134,600	170,553
Defaulted exposures	82,688	1,727	1,118	6,227	36,717	46,132	74,583	-	249,192
Total on balance sheet exposures	5,979,659	1,614,607	510,670	286,820	2,256,013	2,256,830	12,598,797	134,600	25,637,996
Off balance sheet exposures									
OTC derivatives	113	10,859	-	24,239	27,861	-	-	-	63,072
Off balance sheet exposures other than OTC derivatives or credit derivatives	258,707	201,660	201,781	349,448	250,486	549,577	1,578,497	-	3,390,156
Defaulted exposures	69	-	112	2,040	444	2,501	5,917	-	11,083
Total off balance sheet exposures	258,889	212,519	201,893	375,727	278,791	552,078	1,584,414	-	3,464,311
Total on and off balance sheet exposures	**6,238,548**	**1,827,126**	**712,563**	**662,547**	**2,534,804**	**2,808,908**	**14,183,211**	**134,600**	**29,102,307**

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

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

31 March 2012	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	1,153,877	250,043	-	-	-	-	1,559,492	-	2,963,412
Banks, DFI and MDB	1,144,712	750,666	-	-	118,428	-	-	30,058	2,043,864
Corporates	1,632,861	740,244	293,783	467,968	728,354	615,676	2,873,803	-	7,352,689
Regulatory retail	322,492	6,375	11,656	50,662	887,004	1,465,394	6,961,725	-	9,705,308
Residential mortgages	32	13	33	276	1,186	3,626	161,185	-	166,351
Other assets	212,993	-	-	-	-	-	-	89,032	302,025
Defaulted exposures	21,170	983	635	2,670	34,492	46,451	81,721	-	188,122
Total on balance sheet exposures	4,488,137	1,748,324	306,107	521,576	1,769,464	2,131,147	11,637,926	119,090	22,721,771
Off balance sheet exposures									
OTC derivatives	44	22	13,412	-	22,362	-	-	-	35,840
Off balance sheet exposures other than OTC derivatives or credit derivatives	273,260	122,528	200,841	328,893	214,745	287,377	1,796,901	-	3,224,545
Defaulted exposures	2,021	21	-	112	3	1,131	6,403	-	9,691
Total off balance sheet exposures	275,325	122,571	214,253	329,005	237,110	288,508	1,803,304	-	3,270,076
Total on and off balance sheet exposures	**4,763,462**	**1,870,895**	**520,360**	**850,581**	**2,006,574**	**2,419,655**	**13,441,230**	**119,090**	**25,991,847**

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 2012	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year/ period		
- as previously stated	16,324	463,433
- effect of change in accounting policy	-	(3,022)
	16,324	460,411
Charge for the period – net	4,634	105,052
Amount written-off	(7,124)	(84,008)
Balance at 30 September	13,834	481,455

31 March 2012	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year/ period		
- as previously stated	25,447	479,010
- effect of change in accounting policy	-	(9,063)
	25,447	469,947
Charge for the year – net	5,933	205,859
Amount written-off	(15,056)	(215,395)
Balance at 31 March	16,324	460,411

30 September 2012	(Charge offs)/Recoveries RM'000
Bad financing written off during the period	(5,078)
Bad financing recoveries during the period	44,414

31 March 2012	(Charge offs)/ Recoveries RM'000
Bad financing written off during the year	(12,596)
Bad financing recoveries during the year	61,175

6.0 Credit Risk Exposure under the Standardised Approach

The Bank adopts the list of eligible External Credit Assessment Institutions ("ECAIs") that is allowed by BNM for the following exposure classes:

- Sovereigns and Central Banks
- Banking Institutions
- Corporate
- Securitisations

Depending on the exposure class, the following ratings by the following ECAIs are allowed:

- Standard & Poor’s Rating Services ("S&P")
- Moody’s Investors Service ("Moodys")
- Fitch Rating ("Fitch")
- Rating and Investment Information, Inc
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

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 2012

Risk Weights	Exposures after netting and credit risk mitigation										
	Sovereigns and central banks	Public sector entities	Banks, DFI and MDB	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%	2,974,195	-	14,878		1,151,294	-	-	-	5,908	4,146,275	-
20%	-	-	1,771,762	-	235,628	160	-	-	-	2,007,550	401,510
35%	-	-	-	-	-	-	150,382	-	-	150,382	52,634
50%	-	-	99,681	-	53,003	12,724	7,980	-	-	173,388	86,694
75%	-	-	-	-	-	12,452,027	-	-	-	12,452,027	9,339,021
100%	-	-	-	150	8,877,674	647,544	3,553	-	164,645	9,693,566	9,693,565
150%	-	-	-	-	102,789	77,173	-	3,718	-	183,680	275,520
Total	2,974,195	-	1,886,321	150	10,420,388	13,189,628	161,915	3,718	170,553	28,806,868	19,848,944
Deduction from Capital Base											

Table 6.1: Credit exposures by risk weights under the Standardised Approach (Contd.)

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

31 March 2012

Risk Weights	Exposures after netting and credit risk mitigation										
	Sovereigns and central banks	Public sector entities	Banks, DFI and MDB	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%	2,963,412	-	-	-	979,541	-	-	-	4,291	3,947,244	-
20%	-	-	2,047,817	-	143,162	-	-	-	-	2,190,979	438,196
35%	-	-	-	-	-	-	157,899	-	-	157,899	55,264
50%	-	-	34,054	-	40,857	23,914	8,486	-	-	107,311	53,656
75%	-	-	-	-	-	11,113,001	-	-	-	11,113,001	8,334,751
100%	-	-	-	150	7,272,458	413,751	4,965	-	297,734	7,989,058	7,989,058
150%	-	-	-	-	53,810	92,878	-	3,305	-	149,993	224,990
Total	2,963,412	-	2,081,871	150	8,489,828	11,643,544	171,350	3,305	302,025	25,655,485	17,095,915
Deduction from Capital Base											

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2012

Exposure Class		Ratings of Corporate by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Credit exposures (using corporate risk weights)					
Insurance companies, securities firms and fund managers	**150**	-	-	-	150
Corporates	**10,420,388**	140,419	45,164	11,672	10,223,132
Total	**10,420,538**	**140,419**	**45,164**	**11,672**	**10,223,282**

31 March 2012

Exposure Class		Ratings of Corporate by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RII	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Credit exposures (using corporate risk weights)					
Insurance companies, securities firms and fund managers	**150**	-	-	-	150
Corporates	**8,489,828**	88,379	36,079	9,716	8,355,655
Total	**8,489,978**	**88,379**	**36,079**	**9,716**	**8,355,805**

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

30 September 2012

Exposure class	Ratings of sovereigns and central banks by approved ECAIs						
	Moody's	**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**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Sovereigns and central banks	2,974,195	-	2,974,195	-	-	-	-
Total	2,974,195	-	2,974,195	-	-	-	-

31 March 2012

Exposure class	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**
	RII	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Sovereigns and central banks	2,963,412	-	2,963,412	-	-	-	-
Total	2,963,412	-	2,963,412	-	-	-	-

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

30 September 2012

Exposure class		Ratings of banking institutions by approved ECAIs			
	Moody's	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
		RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Banks, DFI and MDB	1,886,321	514,608	99,727	52,714	1,219,271
Total	1,886,321	514,608	99,727	52,714	1,219,271

31 March 2012

Exposure class		Ratings of banking institutions by approved ECAIs			
	Moody's	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
		RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures					
Banks, DFI and MDB	2,081,871	480,201	3,003	326,134	1,272,532
Total	2,081,871	480,201	3,003	326,134	1,272,532

7.0 Credit Risk Mitigation under the Standardised Approach

Table 7.1: Credit Risk Mitigation

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

30 September 2012

Exposures	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	2,974,195	-	-
Banks, DFI abd MDB	1,828,020	-	-
Corporates	8,861,132	207,448	196,357
Regulatory retail	11,398,027	160	13,726
Residential mortgages	156,877	-	35
Other assets	170,553	-	-
Defaulted exposures	249,192	223	2,431
Total on balance sheet exposures	25,637,996	207,831	212,549
Off balance sheet exposures			
OTC derivatives	63,072	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,390,156	90,625	82,777
Defaulted exposures	11,083	1	113
Total off balance sheet exposures	3,464,311	90,626	82,890
Total on and off balance sheet exposures	**29,102,307**	**298,457**	**295,439**

Table 7.1: Credit Risk Mitigation (Contd.)

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

31 March 2012

Exposures	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	2,963,412	-	-
Banks, DFI abd MDB	2,043,864	-	-
Corporates	7,352,689	106,425	182,034
Regulatory retail	9,705,308	-	9,573
Residential mortgages	166,351	-	35
Other assets	302,025	-	-
Defaulted exposures	188,122	224	962
Total on balance sheet exposures	22,721,771	106,649	192,604
Off-balance sheet exposures			
OTC derivatives	35,840	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,224,545	986	143,628
Defaulted exposures	9,691	-	130
Total off balance sheet exposures	3,270,076	986	143,758
Total on and off balance sheet exposures	**25,991,847**	**107,635**	**336,362**

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.0: Off Balance Sheet Exposures

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

30 September 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	137,327		137,327	119,488
Transaction related contingent items	569,152		284,576	232,472
Short term self liquidating trade related contingencies	80,731		16,146	13,835
Assets sold with recourse	1,512,516		1,507,160	1,135,414
Forward asset purchases	42,638		2,230	470
Obligations under an on-going underwriting agreement	100,000		-	-
Foreign exchange related contracts	632,637	11,108	24,973	13,419
One year or less	632,637	11,108	24,973	13,419
Equity related contracts	67,970	577	3,296	1,648
Over one year to five years	67,970	577	3,296	1,648
Other commodity contracts	519,106	5,320	34,805	17,402
One year or less	166,300	1,924	10,240	5,120
Over one year to five years	352,806	3,396	24,565	12,282
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	824,068		412,034	395,978
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,734,569		946,914	838,027
Unutilised credit card lines	474,259		94,852	70,841
Total	9,694,973	17,005	3,464,313	2,838,994

31 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	134,712		134,712	115,963
Transaction related contingent items	487,700		243,850	184,229
Short term self liquidating trade related contingencies	79,444		15,889	14,892
Assets sold with recourse	1,645,251		1,642,828	1,236,836
Forward asset purchases	125,825		4,500	2,250
Obligations under an on-going underwriting agreement	100,000		-	-
Foreign exchange related contracts	310,584	4,895	9,547	5,934
One year or less	310,584	4,895	9,547	5,934
Equity related contracts	71,363	2,299	5,153	2,577
Over one year to five years	71,363	2,299	5,153	2,577
Other commodity contracts	303,249	3,731	21,140	9,390
One year or less	78,630	-	3,932	786
Over one year to five years	224,619	3,731	17,208	8,604
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	957,923		478,961	385,017
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,085,277		617,055	604,934
Unutilised credit card lines	482,204		96,441	72,023
Total	7,783,532	10,925	3,270,076	2,634,045

9.0 Securitisation

The Bank does not have any securitisation exposure in its trading banking books nor did it undertake any securitisation activities during the current financial period and for year ended 31 March 2012.

10.0 Equities (Banking Book Positions)

Table 9.1: Equity investments and capital requirement

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

Non traded equity investments	**30 September 2012**	**31 March 2012**
	RM'000	**RM'000**
Value of quoted (publicly traded) equities	-	30,000
Value of unquoted (privately held) equities	-	-
Total	-	30,000
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	-	30,000
Equity investments subject to a 150% risk weight	-	-
Total	-	30,000
Total Minimum Capital Requirement (8%)	-	2,400

11.0 Non-Traded Market Risk

Market Risk Sensitivity – Rate of Return Risk ("RORBB") in the Banking Book

The RORBB sensitivity for the Bank is as follows:

30 September 2012

	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(42,165)	42,165
Impact on equity	(271,888)	295,024

31 March 2012

	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(26,768)	26,768
Impact on equity	(224,396)	243,476

The sensitivity above excluded non profit sensitive items. The Bank manages profit rate risk in the banking book by including all asset and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

12.0 Shariah Governance Structure

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