



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

PILLAR 3 REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

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Overview

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to management.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework - Pillar 3 which sets out the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process which covers the verification and review of the accuracy of information disclosed.

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1.0 Scope of Application

The Pillar 3 Disclosure was prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries and associate companies. The Group offers Conventional and Islamic banking services. The latter includes the acceptance of deposits and granting of financing under the Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad. Information on subsidiary and associate companies are available in Note 13 and 14 of the audited financial statements.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes as prescribed in Note 2(b) of the audited financial statements, except for investments in subsidiaries engaged in nominees activities and sales distribution which are excluded from the regulatory consolidation and are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group that were not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

2.0 Capital

In managing its capital, the Group's objectives are:

- (i) to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM,
- (ii) to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and
- (iii) to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of action plan(s) in advance if the stress tests reveal that the Group's capital will be adversely affected. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Framework and their capital ratios comply with the prescribed capital adequacy ratios.

2.0 Capital

2.1 Capital Adequacy Ratios

With effect from 1 January 2013, the capital adequacy ratios of the Bank and the Group are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Bank and the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

Accordingly, the capital adequacy ratios of the Bank and the Group as at 31 March 2013 are computed under the Capital Adequacy Framework.

The minimum regulatory capital adequacy ratios are as follows:

Calendar Year	Common Equity Tier 1 ("CET I") Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013 *	3.5%	4.5%	8.0%
2014 *	4.0%	5.5%	8.0%
2015	4.5%	6.0%	8.0%

* transitional arrangements according to BNM Guidelines

For the comparative presentations, the capital adequacy ratios however have been set out in accordance with BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components). The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

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

	<u>BANK</u>	<u>GROUP</u>
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.24%	11.22%
Tier I capital ratio	13.62%	12.66%
Total capital ratio	13.62%	15.37%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.51%	10.62%
Tier I capital ratio	12.90%	12.06%
Total capital ratio	12.90%	14.77%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	14.23%	12.37%
Risk-weighted capital ratio	14.28%	15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio	13.63%	11.88%
Risk-weighted capital ratio	13.68%	15.13%

2.0 Capital (contd.)

2.1 Capital Adequacy Ratios (contd.)

(b) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.93%	96.24%
Tier I capital ratio	12.93%	96.24%
Total capital ratio	13.72%	96.40%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.93%	94.96%
Tier I capital ratio	12.93%	94.96%
Total capital ratio	13.72%	95.12%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	13.00%	58.39%
Risk-weighted capital ratio	14.04%	58.51%
<u>After deducting proposed dividends</u>		
Core capital ratio	12.17%	57.13%
Risk-weighted capital ratio	13.21%	57.25%

The detailed capital adequacy ratios of the above banking subsidiaries are set out in the Pillar 3 Report of the respective entity.

2.0 Capital (contd.)

2.2 Capital Structure

The following tables represent the Bank's and the Group's capital positions. Details on capital resources, including share capital, irredeemable (non-cumulative) convertible preference shares ("ICPS"), share premium and reserves are found in Note 26 and 27 of the audited financial statements. Details on the terms and conditions of subordinated obligations are contained in Note 25 of the audited financial statements.

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	<u>BANK</u>	<u>GROUP</u>
	RM'000	RM'000
31 March 2013		
<u>CET I Capital</u>		
Paid-up share capital	596,517	596,517
Share premium	201,517	201,517
Retained profits	1,641,549	1,749,256
Statutory reserves	601,561	885,744
Revaluation reserves	85,257	115,397
Other reserves	-	10,018
	<u>3,126,401</u>	<u>3,558,449</u>
Less: Regulatory adjustment		
- Goodwill and other intangibles	(241,961)	(358,275)
- Deferred tax assets	-	(11,040)
- 55% of revaluation reserve	(46,891)	(63,468)
Total CET I Capital	<u>2,837,549</u>	<u>3,125,666</u>
<u>Tier I Capital</u>		
ICPS	4,000	4,000
Share premium	396,000	396,000
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(79,467)	-
Total additional Tier I Capital	<u>320,533</u>	<u>400,000</u>
Total Tier I Capital	<u>3,158,082</u>	<u>3,525,666</u>
<u>Tier II Capital</u>		
Subordinated obligations	538,495	538,495
Collective assessment allowance	183,932	221,153
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(722,427)	(4,117)
Total Tier II Capital	<u>-</u>	<u>755,531</u>
Total Capital	<u><u>3,158,082</u></u>	<u><u>4,281,197</u></u>

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2.0 Capital (contd.)

2.2 Capital Structure (contd.)

The following tables present the components of Tier I and Tier II capital and deduction from capital.

	<u>BANK</u>	<u>GROUP</u>
	RM'000	RM'000
31 March 2012		
<u>Tier I Capital (Core Capital)</u>		
Paid-up share capital	596,517	596,517
ICPS	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,397,888	1,517,252
Statutory reserves	601,561	842,167
Other reserves	-	10,018
Non-controlling interests	-	4,905
	<u>3,197,483</u>	<u>3,572,376</u>
Less: Purchased goodwill/ goodwill on consolidation	(186,272)	(302,065)
Deferred tax assets	-	(15,038)
Total Tier I capital	<u>3,011,211</u>	<u>3,255,273</u>
<u>Tier II Capital</u>		
Subordinated obligations	597,829	597,829
Collective assessment allowance	214,419	260,666
Total Tier II capital	<u>812,248</u>	<u>858,495</u>
Total Capital	3,823,459	4,113,768
Less: Investment in subsidiaries	(801,664)	(3,620)
Total Capital Base	<u>3,021,795</u>	<u>4,110,148</u>

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on collective assessment allowance. Details of the restatements are as set out on Note 53 of the financial statements.

2.0 Capital (contd.)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank and the Group:

BANK 2013 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,428,064	4,428,064	-	-
Public sector entities	50,615	50,615	10,123	810
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4,235,331	4,229,449	1,070,873	85,670
Insurance companies, securities firms and fund managers	7,691	770	770	62
Corporates	9,494,895	8,839,664	7,452,448	596,196
Regulatory retail	8,350,281	7,401,539	5,551,155	444,092
Residential mortgages	6,754,731	6,745,505	2,920,155	233,612
Higher risk assets	6,765	6,756	10,133	811
Other assets	470,311	470,311	226,797	18,144
Equity exposures	99,472	99,472	109,432	8,755
Defaulted exposures	239,338	237,881	276,250	22,100
Total on-balance sheet exposures	<u>34,137,494</u>	<u>32,510,026</u>	<u>17,628,136</u>	<u>1,410,252</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,940,937	3,934,084	3,365,606	269,248
Derivative financial instruments	102,250	102,250	44,484	3,559
Defaulted exposures	12,433	12,422	18,633	1,491
Total off-balance sheet exposures	<u>4,055,620</u>	<u>4,048,756</u>	<u>3,428,723</u>	<u>274,298</u>
Total on and off-balance sheet exposures	<u>38,193,114</u>	<u>36,558,782</u>	<u>21,056,859</u>	<u>1,684,550</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,270,537	(3,229)	10,236	819
Foreign currency risk	63,818	(2,733)	63,818	5,105
Total	<u>1,334,355</u>	<u>(5,962)</u>	<u>74,054</u>	<u>5,924</u>
(iii) <u>Operational Risk</u>	-	-	2,060,540	164,843
Total RWA and capital requirements	<u>38,193,114</u>	<u>36,558,782</u>	<u>23,191,453</u>	<u>1,855,317</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

GROUP 2013 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,293,224	6,293,224	-	-
Public sector entities	50,615	50,615	10,123	810
Banks, DFIs and MDBs	4,366,278	4,360,396	936,747	74,940
Insurance companies, securities firms and fund managers	7,712	790	790	63
Corporates	11,438,538	10,530,451	8,772,591	701,807
Regulatory retail	10,534,294	9,542,026	7,169,014	573,521
Residential mortgages	8,108,149	8,098,296	3,567,034	285,363
Higher risk assets	6,833	6,823	10,235	819
Other assets	584,149	584,149	332,896	26,632
Equity exposures	137,392	137,392	147,352	11,788
Defaulted exposures	295,977	293,908	339,208	27,137
Total on-balance sheet exposures	<u>41,823,161</u>	<u>39,898,070</u>	<u>21,285,990</u>	<u>1,702,880</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,546,740	4,538,237	3,825,953	306,076
Derivative financial instruments	102,250	102,250	44,484	3,559
Defaulted exposures	12,891	12,880	19,319	1,546
Total off-balance sheet exposures	<u>4,661,881</u>	<u>4,653,367</u>	<u>3,889,756</u>	<u>311,181</u>
Total on and off-balance sheet exposures	<u>46,485,042</u>	<u>44,551,437</u>	<u>25,175,746</u>	<u>2,014,061</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,525,169	(3,229)	12,227	978
Foreign currency risk	63,818	(2,733)	63,818	5,105
Total	<u>1,588,987</u>	<u>(5,962)</u>	<u>76,045</u>	<u>6,083</u>
(iii) <u>Operational Risk</u>	-	-	2,603,941	208,315
Total RWA and capital requirements	<u>46,485,042</u>	<u>44,551,437</u>	<u>27,855,732</u>	<u>2,228,459</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements (contd.)

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

BANK 2012 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,022,323	5,022,323	-	-
Public sector entities	50,855	50,855	10,171	814
Banks, DFIs and MDBs	3,754,235	3,754,235	973,940	77,915
Insurance companies, securities firms and fund managers	447	447	447	36
Corporates	7,954,029	7,537,571	6,932,437	554,595
Regulatory retail	6,386,726	5,730,542	4,297,906	343,832
Residential mortgages	6,574,048	6,563,663	2,813,719	225,098
Higher risk assets	7,065	7,065	10,597	848
Other assets	479,264	479,264	288,026	23,042
Equity exposures	125,138	125,138	182,992	14,639
Defaulted exposures	142,744	135,108	161,307	12,905
Total on-balance sheet exposures	<u>30,496,874</u>	<u>29,406,211</u>	<u>15,671,542</u>	<u>1,253,724</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,827,677	3,822,467	3,346,379	267,710
Derivative financial instruments	99,681	99,681	47,965	3,837
Defaulted exposures	5,856	5,854	8,781	703
Total off-balance sheet exposures	<u>3,933,214</u>	<u>3,928,002</u>	<u>3,403,125</u>	<u>272,250</u>
Total on and off-balance sheet exposures	<u>34,430,088</u>	<u>33,334,213</u>	<u>19,074,667</u>	<u>1,525,974</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,347,746	(3,463)	136,388	10,911
Foreign currency risk	20,731	(2,619)	20,731	1,658
Total	<u>1,368,477</u>	<u>(6,082)</u>	<u>157,119</u>	<u>12,569</u>
(iii) <u>Operational Risk</u>	-	-	1,925,797	154,064
Total RWA and capital requirements	<u>34,430,088</u>	<u>33,334,213</u>	<u>21,157,583</u>	<u>1,692,607</u>

2.0 Capital (contd.)

2.3 RWA and Capital Requirements (contd.)

Regulatory Capital Requirements (contd.)

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

GROUP 2012 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,143,989	7,143,989	-	-
Public sector entities	50,855	50,855	10,171	814
Banks, DFIs and MDBs	4,392,711	4,392,711	1,105,558	88,445
Insurance companies, securities firms and fund managers	476	476	476	38
Corporates	9,689,833	9,031,886	8,226,723	658,138
Regulatory retail	8,759,219	8,058,947	6,054,024	484,322
Residential mortgages	7,620,144	7,609,112	3,313,763	265,101
Higher risk assets	7,159	7,159	10,739	859
Other assets	626,605	626,605	435,436	34,835
Equity exposures	169,942	169,942	250,198	20,016
Defaulted exposures	225,479	217,286	277,392	22,191
Total on-balance sheet exposures	<u>38,686,412</u>	<u>37,308,968</u>	<u>19,684,480</u>	<u>1,574,759</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,481,607	4,462,291	3,849,888	307,991
Derivative financial instruments	99,681	99,681	47,965	3,837
Defaulted exposures	12,777	12,775	19,162	1,533
Total off-balance sheet exposures	<u>4,594,065</u>	<u>4,574,747</u>	<u>3,917,015</u>	<u>313,361</u>
Total on and off-balance sheet exposures	<u>43,280,477</u>	<u>41,883,715</u>	<u>23,601,495</u>	<u>1,888,120</u>
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,497,439	(3,463)	138,881	11,110
Equity risk	3,419	-	9,402	752
Foreign currency risk	20,731	(2,619)	20,731	1,658
Options risk	70,122	-	96,418	7,713
Total	<u>1,591,711</u>	<u>(6,082)</u>	<u>265,432</u>	<u>21,233</u>
(iii) <u>Operational Risk</u>	-	-	2,445,524	195,642
Total RWA and capital requirements	<u>43,280,477</u>	<u>41,883,715</u>	<u>26,312,451</u>	<u>2,104,995</u>

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

3.0 Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. Credit risk arises mainly from lending/financing activities and trading/holding of debt securities.

Credit Risk Management

The Board, via the Group Risk Management Committee ("GRMC"), established a Credit Risk Management Framework ("CRMF") which outlines the principles for managing credit risk in the Group. The CRMF covers the credit approving structure, risk policies framework, the credit process, collateral management, review, portfolio risk management, collection, problem credit management, rating, infrastructure, fraud and stress test.

Credit approval authority is delegated to underwriters based on their experience and seniority. Credit granting decisions are based on judgmental decisions supplemented with credit rating; risk reward is a major consideration in loan pricing. Larger loans are approved by the Management Credit Committee while some are subject to concurrence by the Executive Committee.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. Loans with signs of problem will be managed under the Early Warning Framework. Recovery of impaired loans are carried out by specialists independent of the lines of business.

Portfolio Review Committee for the respective lines of business, assisted by embedded business risk units, manage the portfolio quality to ensure alignment of business strategy with the Bank's risk appetite.

Group Risk Management and business risk units are responsible to assess adequacy and effectiveness of the risk management framework, policies and guidelines.

Stress testing is used to ascertain the size of probable losses under a range of scenarios for the loan portfolio and the impact to bottom lines and capital. These stress tests are performed using different market and economic assumptions to assess possible vulnerability and effective mitigating actions when required.

The Credit Review Unit under Group Internal Audit review the credit process regularly and recommend corrective measures or enhancements. These reviews provide senior management with assurance that the policies, guidelines and limits are adhered to and that the credit process in the Bank is acceptable.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the judgmental or mandatory triggers are triggered.

Individual assessments are performed on impaired accounts with principal outstanding of RM1 million and above. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loans' portfolios are then collectively assessed for impairment allowance provision.

Prior to 1 April 2012, under the transitional provision for FRS 139 as prescribed by BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, the Bank and the Group had maintained collective assessment allowance at 1.5% of total outstanding loans/financing net of individual assessment allowance. Upon the effective date of MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed.

This change in accounting policy has been accounted for retrospectively, and has resulted in a restatement of the comparatives.

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's and the Group's major type of gross credit exposure by geographical distribution. Exposure are allocated to the region in which the customer is located and are disclosed before taking account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

BANK	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
2013				
Cash and short-term funds	-	1,123,142	-	-
Deposits and placements with banks and other financial institutions	-	124,946	-	-
Financial assets held-for-trading	-	1,265,298	-	-
Financial investments available-for-sale	-	8,328,534	-	-
Financial investments held-to-maturity	-	101,717	-	-
Derivative financial assets	-	19,792	-	-
Loans, advances and financing	1,558,192	17,355,446	1,947,550	2,003,212
Total on-balance sheet	1,558,192	28,318,875	1,947,550	2,003,212
Financial guarantees	55,768	312,230	26,042	31,481
Credit related commitments and contingencies	638,075	8,407,125	811,711	810,562
Total credit exposure	<u>2,252,035</u>	<u>37,038,230</u>	<u>2,785,303</u>	<u>2,845,255</u>

GROUP	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
2013				
Cash and short-term funds	-	1,044,219	-	-
Deposits and placements with banks and other financial institutions	-	153,236	-	-
Gross balances due from clients and brokers	-	50,122	-	-
Financial assets held-for-trading	-	1,519,930	-	-
Financial investments available-for-sale	-	10,225,058	-	-
Financial investments held-to-maturity	-	596,949	-	-
Derivative financial assets	-	19,792	-	-
Loans, advances and financing	1,797,137	21,147,476	2,450,937	2,352,256
Total on-balance sheet	1,797,137	34,756,782	2,450,937	2,352,256
Financial guarantees	74,505	356,286	34,764	34,703
Credit related commitments and contingencies	738,443	9,397,039	974,144	1,220,571
Total credit exposure	<u>2,610,085</u>	<u>44,510,107</u>	<u>3,459,845</u>	<u>3,607,530</u>

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(a) Geographical Distribution (contd.)

BANK 2012	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
Cash and short-term funds	-	1,539,052	-	-
Deposits and placements with banks and other financial institutions	-	143,461	-	-
Financial assets held-for-trading	-	1,342,302	-	-
Financial investments available-for-sale	-	7,325,003	-	-
Financial investments held-to-maturity	-	228,622	-	-
Derivative financial assets	-	23,712	-	-
Loans, advances and financing	1,551,654	14,773,727	1,644,965	1,804,252
Total on-balance sheet	1,551,654	25,375,879	1,644,965	1,804,252
Financial guarantees	48,823	291,800	21,381	32,904
Credit related commitments and contingencies	594,161	9,126,214	524,327	867,311
Total credit exposure	2,194,638	34,793,893	2,190,673	2,704,467

GROUP 2012	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
Cash and short-term funds	-	1,683,092	-	-
Deposits and placements with banks and other financial institutions	-	93,438	-	-
Balances due from clients and brokers	13,825	44,051	3,888	-
Financial assets held-for-trading	-	1,491,995	-	-
Financial investments available-for-sale	-	8,983,101	-	-
Financial investments held-to-maturity	-	795,256	-	-
Derivative financial assets	-	23,712	-	-
Loans, advances and financing	1,804,917	18,493,351	2,047,619	2,114,422
Total on-balance sheet	1,818,742	31,607,996	2,051,507	2,114,422
Financial guarantees	67,643	332,255	27,880	36,184
Credit related commitments and contingencies	659,453	10,363,305	652,725	1,333,544
Total credit exposure	2,545,838	42,303,556	2,732,112	3,484,150

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(b) Industry Distribution

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

	Government and Central bank	Financial, insurance & business services	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Residential mortgage	Motor vehicle financing	Other consumer loans	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013									
Cash and short-term funds	618,890	504,252	-	-	-	-	-	-	1,123,142
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	-	-	-	124,946
Financial assets held-for-trading	1,265,298	-	-	-	-	-	-	-	1,265,298
Financial investments available-for-sale	2,712,779	5,052,209	97,688	336,345	57,589	-	-	71,924	8,328,534
Financial investments held-to-maturity	101,256	461	-	-	-	-	-	-	101,717
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,564,541	88,553	6,509,323	380,132	9,383,562	365,548	3,572,741	22,864,400
Total on-balance sheet	4,698,223	8,266,038	186,241	6,845,668	437,721	9,383,562	365,548	3,644,828	33,827,829
Financial guarantees	-	28,767	20,375	299,282	37,971	-	-	39,126	425,521
Credit related commitments and contingencies	-	950,781	53,517	2,533,398	814,259	-	-	6,315,518	10,667,473
Total off-balance sheet	-	979,548	73,892	2,832,680	852,230	-	-	6,354,644	11,092,994
Total credit risk	4,698,223	9,245,586	260,133	9,678,348	1,289,951	9,383,562	365,548	9,999,472	44,920,823
GROUP									
2013									
Cash and short-term funds	738,087	306,132	-	-	-	-	-	-	1,044,219
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments available-for-sale	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments held-to-maturity	591,264	513	5,172	-	-	-	-	-	596,949
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
Total on-balance sheet	6,502,999	9,204,305	274,634	8,044,400	517,175	11,362,649	575,222	4,875,728	41,357,112
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
Total off-balance sheet	-	1,124,248	76,016	3,357,986	885,401	600,903	218	6,785,683	12,830,455
Total credit risk	6,502,999	10,328,553	350,650	11,402,386	1,402,576	11,963,552	575,440	11,661,411	54,187,567

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(b) Industry Distribution (contd.)

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (contd.).

	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
BANK									
2012									
Cash and short-term funds	903,812	635,240	-	-	-	-	-	-	1,539,052
Deposits and placements with banks and other financial institutions	-	143,461	-	-	-	-	-	-	143,461
Financial assets held-for-trading	1,342,302	-	-	-	-	-	-	-	1,342,302
Financial investments available-for-sale	3,077,911	3,874,479	84,766	266,737	21,110	-	-	-	7,325,003
Financial investments held-to-maturity	227,177	1,445	-	-	-	-	-	-	228,622
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,223,074	95,974	6,004,163	208,517	8,138,883	141,714	2,962,273	19,774,598
Total on-balance sheet	5,551,202	6,901,411	180,740	6,270,900	229,627	8,138,883	141,714	2,962,273	30,376,750
Financial guarantees	-	34,503	19,817	274,277	29,205	300	-	36,806	394,908
Credit related commitments and contingencies	-	1,156,018	66,185	2,545,111	1,197,481	2,787,615	5	3,359,598	11,112,013
Total off-balance sheet	-	1,190,521	86,002	2,819,388	1,226,686	2,787,915	5	3,396,404	11,506,921
Total credit risk	5,551,202	8,091,932	266,742	9,090,288	1,456,313	10,926,798	141,719	6,358,677	41,883,671
GROUP									
2012									
Cash and short-term funds	1,067,241	615,851	-	-	-	-	-	-	1,683,092
Deposits and placements with banks and other financial institutions	-	93,438	-	-	-	-	-	-	93,438
Balances due from clients and brokers	-	-	-	-	-	-	-	61,764	61,764
Financial assets held-for-trading	1,491,995	-	-	-	-	-	-	-	1,491,995
Financial investments available-for-sale	4,202,309	4,237,686	137,155	374,422	31,529	-	-	-	8,983,101
Financial investments held-to-maturity	768,101	21,949	5,206	-	-	-	-	-	795,256
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,575,043	125,179	7,075,576	283,811	9,558,392	436,954	4,405,354	24,460,309
Total on-balance sheet	7,529,646	7,567,679	267,540	7,449,998	315,340	9,558,392	436,954	4,467,118	37,592,667
Financial guarantees	-	37,712	19,908	338,361	30,596	300	-	37,085	463,962
Credit related commitments and contingencies	-	1,339,215	66,964	3,126,409	1,225,981	3,404,765	230	3,845,463	13,009,027
Total off-balance sheet	-	1,376,927	86,872	3,464,770	1,256,577	3,405,065	230	3,882,548	13,472,989
Total credit risk	7,529,646	8,944,606	354,412	10,914,768	1,571,917	12,963,457	437,184	8,349,666	51,065,656

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,366,644	11	-	-	-	1,366,655
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	124,946
Financial investments	1,905,852	2,390,975	72,412	24,448	5,401,334	9,795,021
Loans, advances and financing	4,901,622	1,363,982	812,040	492,046	15,337,583	22,907,273
Other asset balances	43,806	13,383	10,353	5,954	2,207,323	2,280,819
Total on-balance sheet exposure	8,217,924	3,893,297	894,805	522,448	22,946,240	36,474,714

GROUP **2013**

Cash and short-term funds	1,287,723	11	-	-	-	1,287,734
Deposits and placements with banks and other financial institutions	-	153,062	174	-	-	153,236
Balances due from clients and brokers	35,060	-	-	-	15,062	50,122
Financial investments	2,438,861	2,966,195	442,597	112,258	6,519,418	12,479,329
Loans, advances and financing	5,653,977	1,647,590	1,012,443	652,699	18,805,032	27,771,741
Other asset balances	69,998	13,406	10,388	6,023	1,811,983	1,911,798
Total on-balance sheet exposure	9,485,619	4,780,264	1,465,602	770,980	27,151,495	43,653,960

3.0 Credit Risk (contd.)

3.1 Distribution of Credit Exposures (contd.)

(c) Residual Contractual Maturity (contd.)

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group (contd.):

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,730,290	-	-	-	-	1,730,290
Deposits and placements with banks and other financial institutions	-	143,461	-	-	-	143,461
Financial investments	649,224	2,430,032	572,018	37,165	5,302,396	8,990,835
Loans, advances and financing	4,330,582	1,273,642	804,281	394,744	13,009,356	19,812,605
Other asset balances	34,096	14,212	7,184	7,763	2,103,600	2,166,855
Total on-balance sheet exposure	6,744,192	3,861,347	1,383,483	439,672	20,415,352	32,844,046
<u>GROUP</u>						
2012						
Cash and short-term funds	1,875,994	-	-	-	-	1,875,994
Deposits and placements with banks and other financial institutions	-	93,270	168	-	-	93,438
Balances due from clients and brokers	42,207	-	-	-	19,557	61,764
Financial investments	1,031,877	2,922,378	697,092	97,906	6,661,199	11,410,452
Loans, advances and financing	4,970,968	1,549,576	987,155	598,935	16,382,198	24,488,832
Other asset balances	36,590	14,213	7,186	7,767	1,689,305	1,755,061
Total on-balance sheet exposure	7,957,636	4,579,437	1,691,601	704,608	24,752,259	39,685,541

3.0 Credit Risk (contd.)

3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	714,766	602,109	925,366	909,157
Past due > 1 - 2 months	126,995	127,224	188,773	187,351
Past due > 2 - 3 months	5,097	15,430	17,599	30,448
	<u>846,858</u>	<u>744,763</u>	<u>1,131,738</u>	<u>1,126,956</u>

Past due loans, advances and financing analysed by sector are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services	13,948	42,494	14,840	43,478
Transport, storage & communication	2,741	1,332	3,279	2,835
Agriculture, manufacturing, wholesale & retail trade	79,249	48,189	91,412	55,198
Construction	10,028	9,495	10,634	14,924
Residential mortgage	534,919	459,166	627,621	516,795
Motor vehicle financing	66,442	53,242	126,990	139,333
Other consumer loans	139,531	130,845	256,962	354,393
	<u>846,858</u>	<u>744,763</u>	<u>1,131,738</u>	<u>1,126,956</u>

Past due loans, advances and financing analysed by significant geographical areas:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Northern region	77,948	53,820	90,397	73,720
Central region	583,123	535,488	807,049	835,122
Southern region	109,411	84,411	144,953	130,463
East Malaysia region	76,376	71,044	89,339	87,651
	<u>846,858</u>	<u>744,763</u>	<u>1,131,738</u>	<u>1,126,956</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services	60,724	64,767	60,803	64,838
Transport, storage & communication	9,673	11,937	10,334	12,016
Agriculture, manufacturing, wholesale & retail trade	153,076	205,144	209,557	253,319
Construction	16,302	29,735	22,416	41,551
Residential mortgage	184,625	171,478	210,480	188,416
Motor vehicle financing	1,567	1,845	4,487	4,458
Other consumer loans	46,566	51,006	61,156	64,638
	<u>472,533</u>	<u>535,912</u>	<u>579,233</u>	<u>629,236</u>

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	Individual impairment allowance	Collective impairment allowance	Individual impairment net (write-back)/ charge for the year	Individual impairment write-off for the year
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
2013				
Financial, insurance & business services	3,148	21,387	(321)	(1,311)
Transport, storage & communication	9,536	1,271	117	(1,489)
Agriculture, manufacturing, wholesale & retail trade	55,977	132,884	5,847	(32,067)
Construction	11,867	5,420	49	(12,581)
Residential mortgage	10,930	94,519	6,890	(191)
Motor vehicle financing	-	1,685	-	-
Other consumer loans	3,824	38,668	(345)	-
	<u>95,282</u>	<u>295,834</u>	<u>12,237</u>	<u>(47,639)</u>
<u>GROUP</u>				
2013				
Financial, insurance & business services	3,190	24,151	(321)	(1,311)
Transport, storage & communication	9,536	1,804	117	(1,489)
Agriculture, manufacturing, wholesale & retail trade	80,589	155,365	14,642	(32,077)
Construction	15,379	6,804	(3,615)	(12,581)
Residential mortgage	13,295	105,338	9,196	(191)
Motor vehicle financing	-	4,278	-	-
Other consumer loans	6,482	51,463	(345)	-
	<u>128,471</u>	<u>349,203</u>	<u>19,674</u>	<u>(47,649)</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Impairment allowances on impaired loans, advances and financing analysed by sectors (contd.):

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net (write-back)/ charge for the year RM'000	Individual impairment write-off for the year RM'000
<u>BANK</u>				
2012				
Financial, insurance & business services	6,034	26,973	(1,066)	(4,141)
Transport, storage & communication	10,909	4,371	415	-
Agriculture, manufacturing, wholesale & retail trade	82,195	160,898	9,419	(15,914)
Construction	24,399	7,698	(518)	-
Residential mortgage	4,201	91,817	3,489	-
Motor vehicle financing	-	1,624	-	-
Other consumer loans	4,525	38,964	(5)	-
	<u>132,263</u>	<u>332,345</u>	<u>11,734</u>	<u>(20,055)</u>
<u>GROUP</u>				
2012				
Financial, insurance & business services	6,076	31,333	(2,609)	(8,457)
Transport, storage & communication	10,909	4,621	415	-
Agriculture, manufacturing, wholesale & retail trade	98,022	189,124	6,681	(16,108)
Construction	31,575	9,059	(4,875)	-
Residential mortgage	4,201	100,141	3,489	-
Motor vehicle financing	-	4,105	-	-
Other consumer loans	7,183	55,489	7	-
	<u>157,966</u>	<u>393,872</u>	<u>3,108</u>	<u>(24,565)</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Impaired loans, advances and financing and the related impairment allowances by geographical areas:

<u>BANK</u> 2013	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Northern region	86,889	28,616	39,948
Central region	307,875	61,404	196,573
Southern region	33,245	1,822	32,524
East Malaysia region	44,524	3,440	26,789
	<u>472,533</u>	<u>95,282</u>	<u>295,834</u>
<u>GROUP</u> 2013			
Northern region	112,029	42,819	44,441
Central region	379,755	79,860	235,943
Southern region	40,911	2,352	39,148
East Malaysia region	46,538	3,440	29,671
	<u>579,233</u>	<u>128,471</u>	<u>349,203</u>
<u>BANK</u> 2012	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Northern region	113,654	49,082	46,248
Central region	316,587	74,458	214,294
Southern region	48,921	4,443	44,936
East Malaysia region	56,750	4,280	26,867
	<u>535,912</u>	<u>132,263</u>	<u>332,345</u>
<u>GROUP</u> 2012			
Northern region	139,407	57,612	52,844
Central region	378,774	91,101	261,971
Southern region	53,056	4,973	49,827
East Malaysia region	57,999	4,280	29,230
	<u>629,236</u>	<u>157,966</u>	<u>393,872</u>

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Movements in loans impairment allowances are analysed as follows:

	BANK		GROUP	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance:				
At beginning of year				
- As previously stated	225,092	273,141	266,349	328,375
- Transfers to collective assessment allowance	(92,829)	(132,557)	(108,383)	(148,952)
As restated	132,263	140,584	157,966	179,423
Allowance made during the year (net)	12,237	11,734	19,674	3,108
Amount written-off	(47,639)	(20,055)	(47,649)	(24,565)
Transfers to collective assessment allowance	(1,579)	-	(1,520)	-
At end of year	95,282	132,263	128,471	157,966
Collective assessment allowance:				
At beginning of year				
- As previously stated	300,801	270,378	386,017	339,636
- Effect of change in accounting policy	(61,285)	(45,304)	(100,528)	(63,474)
- Transfers from individual assessment allowance	92,829	132,557	108,383	148,952
As restated	332,345	357,631	393,872	425,114
(Write-back)/allowance made during the year (net)	(8,301)	16,672	8,034	27,627
Amount written-off	(29,789)	(41,958)	(54,223)	(58,869)
Transfers from individual assessment allowance	1,579	-	1,520	-
At end of year	295,834	332,345	349,203	393,872

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach

The following tables present the credit exposures by risk-weights and after credit risk mitigation:

	Exposures after netting and credit risk mitigation											
<u>BANK</u> <u>2013</u> Risk- <u>Weights</u>	Sovereigns /Central <u>banks</u> RM'000	Public sector <u>entities</u> RM'000	Banks, DFIs and <u>MDBs</u> RM'000	Insurance companies, Securities firms and Fund <u>managers</u> RM'000	<u>Corporates</u> RM'000	Regulatory <u>retail</u> RM'000	Residential <u>mortgages</u> RM'000	Higher risk <u>assets</u> RM'000	Other <u>assets</u> RM'000	Equity <u>exposures</u> RM'000	Total exposures after netting and credit risk <u>mitigation</u> RM'000	Total Risk- Weighted <u>Assets</u> RM'000
0%	4,430,381	-	-	-	-	-	-	-	243,514	-	4,673,895	-
20%	-	50,615	3,530,657	-	1,734,020	-	-	-	-	-	5,315,292	1,063,058
35%	-	-	-	-	-	-	4,131,069	-	-	-	4,131,069	1,445,874
50%	-	-	780,663	-	4,124	15,925	1,969,737	-	-	-	2,770,449	1,385,225
75%	-	-	-	-	-	9,665,749	666,129	-	-	-	10,331,878	7,748,909
100%	-	-	-	4,788	8,794,821	33,126	41,928	-	226,797	79,551	9,181,011	9,181,011
150%	-	-	-	-	87,991	35,520	-	11,756	-	19,921	155,188	232,782
Total exposures	4,430,381	50,615	4,311,320	4,788	10,620,956	9,750,320	6,808,863	11,756	470,311	99,472	36,558,782	21,056,859
Risk-weighted assets by exposures	-	10,123	1,096,463	4,788	9,275,673	7,343,681	2,972,268	17,634	226,797	109,432	21,056,859	
Average risk-weight	-	20%	25%	100%	87%	75%	44%	150%	48%	110%	58%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

Exposures after netting and credit risk mitigation												
GROUP 2013 Risk- Weights											Total exposures after netting and credit risk mitigation	Total Risk- Weighted Assets
	Sovereigns /Central banks	Public sector entities	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Equity exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,355,541	-	-	-	-	-	-	-	251,253	-	6,606,794	-
20%	-	50,615	4,195,990	-	2,197,323	-	-	-	-	-	6,443,928	1,288,786
35%	-	-	-	-	-	-	4,726,878	-	-	-	4,726,878	1,654,407
50%	-	-	246,277	-	6,232	18,725	2,491,321	-	-	-	2,762,555	1,381,277
75%	-	-	-	-	-	12,089,352	905,419	-	-	-	12,994,771	9,746,078
100%	-	-	-	4,808	10,241,260	90,217	52,485	-	332,896	117,471	10,839,137	10,839,137
150%	-	-	-	-	97,557	48,030	-	11,866	-	19,921	177,374	266,061
Total exposures	6,355,541	50,615	4,442,267	4,808	12,542,372	12,246,324	8,176,103	11,866	584,149	137,392	44,551,437	25,175,746
Risk-weighted assets by exposures	-	10,123	962,337	4,808	10,830,176	9,238,638	3,631,617	17,799	332,896	147,352	25,175,746	
Average risk-weight	-	20%	22%	100%	86%	75%	44%	150%	57%	107%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

	Exposures after netting and credit risk mitigation											
<u>BANK</u> <u>2012</u> <u>Risk-Weights</u>	Sovereigns /Central <u>banks</u> RM'000	Public sector <u>entities</u> RM'000	Banks, DFIs and <u>MDBs</u> RM'000	Insurance companies, Securities firms and Fund <u>managers</u> RM'000	<u>Corporates</u> RM'000	Regulatory <u>retail</u> RM'000	Residential <u>mortgages</u> RM'000	Higher risk <u>assets</u> RM'000	Other <u>assets</u> RM'000	Equity <u>exposures</u> RM'000	Total exposures after netting and credit risk <u>mitigation</u> RM'000	Total Risk- Weighted <u>Assets</u> RM'000
0%	5,028,387	-	-	-	-	-	-	-	191,239	-	5,219,626	-
20%	-	50,855	3,047,932	-	756,418	-	-	-	-	-	3,855,205	771,041
35%	-	-	-	-	-	-	3,978,425	-	-	-	3,978,425	1,392,449
50%	-	-	778,808	-	166	2,473	2,080,124	-	-	-	2,861,571	1,430,785
75%	-	-	-	-	-	7,624,349	512,408	-	-	-	8,136,757	6,102,567
100%	-	-	-	4,459	8,735,100	5,301	49,925	-	288,025	9,429	9,092,239	9,092,239
150%	-	-	-	-	21,627	40,930	-	12,124	-	115,709	190,390	285,586
Total exposures	5,028,387	50,855	3,826,740	4,459	9,513,311	7,673,053	6,620,882	12,124	479,264	125,138	33,334,213	19,074,667
Risk-weighted assets by exposures	-	10,171	998,990	4,459	8,918,908	5,786,194	2,866,741	18,186	288,026	182,992	19,074,667	
Average risk-weight	-	20%	26%	100%	94%	75%	43%	150%	60%	146%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables present the credit exposures by risk- weights and after credit risk mitigation (contd.):

	Exposures after netting and credit risk mitigation											
				Insurance companies, Securities							Total exposures after netting and	Total Risk-
<u>GROUP</u>	Sovereigns	Public	Banks,	firms and		Regulatory	Residential	Higher	Other	Equity	credit risk	Weighted
<u>2012</u>	/Central	sector	DFIs and	Fund		retail	mortgages	risk	assets	exposures	mitigation	Assets
<u>Risk-Weights</u>	<u>banks</u>	<u>entities</u>	<u>MDBs</u>	<u>managers</u>	<u>Corporates</u>			<u>assets</u>	<u>assets</u>			<u>Assets</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	7,210,053	-	-	-	-	-	-	-	191,169	-	7,401,222	-
20%	-	50,855	3,673,336	-	1,006,453	-	-	-	-	-	4,730,644	946,129
35%	-	-	-	-	-	-	4,439,248	-	-	-	4,439,248	1,553,737
50%	-	-	791,881	-	166	2,812	2,480,263	-	-	-	3,275,122	1,637,561
75%	-	-	-	-	-	10,217,245	697,896	-	-	-	10,915,141	8,186,356
100%	-	-	-	4,488	10,260,158	44,813	57,266	-	435,436	9,429	10,811,590	10,811,590
150%	-	-	-	-	86,808	51,166	-	12,261	-	160,513	310,748	466,122
Total exposures	7,210,053	50,855	4,465,217	4,488	11,353,585	10,316,036	7,674,673	12,261	626,605	169,942	41,883,715	23,601,495
Risk-weighted assets by exposures	-	10,171	1,130,607	4,488	10,591,744	7,785,902	3,374,557	18,392	435,436	250,198	23,601,495	
Average risk-weight	-	20%	25%	100%	93%	75%	44%	150%	69%	147%	56%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor ("S&P"), and Moody's and Fitch. In the context of the Group's portfolio, external credit assessments are mainly applicable to banks / financial institutions and rated corporations. The Group follows the process prescribed under BNM RWCAF-Basel II to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs"):

(a) Ratings of corporate by approved ECAIs

BANK **2013**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk-Weights)						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,615	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	11,709
Corporates		1,850,747	226,297	-	-	9,202,297
Total		1,901,362	226,297	-	-	9,214,006

GROUP **2013**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk-Weights)						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,615	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	11,730
Corporates		2,314,050	326,884	-	-	10,813,585
Total		2,364,665	326,884	-	-	10,825,315

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAs (contd.):

(a) Ratings of corporate by approved ECAs (contd.)

BANK
2012

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk-Weights)						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,855	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	4,459
Corporates		879,418	363,039	-	-	8,676,650
Total		930,273	363,039	-	-	8,681,109

GROUP
2012

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk-Weights)						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,855	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	4,488
Corporates		1,180,590	567,198	-	-	10,266,362
Total		1,231,445	567,198	-	-	10,270,850

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAs (contd.):

(b) Short-term ratings of banking institutions and corporate by approved ECAs

BANK
2013

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	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
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Banks, MDBs and FDIs		2,952,937	-	-	-	594,124
<u>Rated Credit Exposures (using Corporate Risk-Weights)</u>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
Total		2,952,937	-	-	-	594,124

GROUP
2013

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	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
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Banks, MDBs and FDIs		4,040,485	-	-	-	386,926
<u>Rated Credit Exposures (using Corporate Risk-Weights)</u>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
Total		4,040,485	-	-	-	386,926

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAs (contd.):

(b) Short-term ratings of banking institutions and corporate by approved ECAs (contd.)

BANK
2012

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	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
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		2,566,211	-	-	-	483,814
<u>Rated Credit Exposures (using Corporate Risk-Weights)</u>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		20,137	-	-	-	-
Total		2,586,348	-	-	-	483,814

GROUP
2012

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	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
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		3,068,732	-	-	-	614,675
<u>Rated Credit Exposures (using Corporate Risk-Weights)</u>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		20,137	-	-	-	-
Total		3,088,869	-	-	-	614,675

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAIs (contd.):

(c) Ratings of Sovereigns and Central banks by approved ECAIs

BANK **2013**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		-	4,430,381	-	-	-	-
Total		-	4,430,381	-	-	-	-

GROUP **2013**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		-	6,355,541	-	-	-	-
Total		-	6,355,541	-	-	-	-

BANK **2012**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		-	5,028,387	-	-	-	-
Total		-	5,028,387	-	-	-	-

GROUP **2012**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		-	7,210,053	-	-	-	-
Total		-	7,210,053	-	-	-	-

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3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAIs (contd.):

(d) Ratings of banking institutions by approved ECAIs

BANK
2013

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		20,738	-	-	-	-	749,403
Total		20,738	-	-	-	-	749,403

GROUP
2013

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		20,738	-	-	-	-	-
Total		20,738	-	-	-	-	-

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (contd.)

The following tables show the rated exposures according to rating by ECAIs (contd.):

(d) Ratings of banking institutions by approved ECAIs (contd.)

BANK
2012

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Banks, MDBs and FDIs		30,848	2,336	-	-	-	743,531
Total		30,848	2,336	-	-	-	743,531

GROUP
2012

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	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
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Banks, MDBs and FDIs		35,943	2,336	-	-	-	-
Total		35,943	2,336	-	-	-	-

Note:

There is no outstanding securitisation contract at the Bank and the Group that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM")

The Group uses a wide range of collaterals to mitigate credit risks. For the purpose of computing Basel II capital charge for credit risk, the process of using guarantees and eligible collaterals as credit risk mitigants are as prescribed in the Capital Adequacy Framework.

In the course of lending, the Group does accept collaterals that are not eligible under the Capital Adequacy Framework. The process of taking collaterals whether or not eligible under Capital Adequacy Framework, including valuation method and loan to value are defined in the Credit and Product Programme; and the Credit Risk Management Framework. Main collaterals acceptable to the Group include cash, guarantees, commercial and residential real estates, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees on loans are accepted after the financial viability of the guarantors have been ascertained.

The following tables represent the Bank's and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

<u>BANK</u> 2013 Exposure Class	Exposure <u>before CRM</u> RM'000	Exposures covered by guarantees/ credit <u>derivatives</u> RM'000	Exposures covered by eligible financial <u>collateral</u> RM'000	Exposures covered by other eligible <u>collateral</u> RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,428,064	-	-	-
Public sector entities	50,615	-	-	-
Banks, DFIs and MDBs	4,235,331	-	5,882	-
Insurance companies, securities firms and fund managers	7,691	-	6,921	-
Corporates	9,494,895	-	655,230	-
Regulatory retail	8,350,281	-	948,742	-
Residential mortgages	6,754,731	-	9,226	-
Higher risk assets	6,765	-	10	-
Other assets	470,311	-	-	-
Equity exposure	99,472	-	-	-
Defaulted exposures	239,338	-	1,456	-
Total on-balance sheet exposures	34,137,494	-	1,627,467	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives				
	4,043,187	-	6,853	-
Defaulted exposures	12,433	-	11	-
Total off-balance sheet exposures	4,055,620	-	6,864	-
Total on and off-balance sheet exposures	38,193,114	-	1,634,331	-

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

The following tables represent the Bank's and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework. (contd.)

GROUP	Exposure	Exposures	Exposures	Exposures
2013	before CRM	covered by	covered by	covered by
Exposure Class	RM'000	guarantees/ credit derivatives	eligible financial collateral	other eligible collateral
		RM'000	RM'000	RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,293,224	-	-	-
Public sector entities	50,615	-	-	-
Banks, DFIs and MDBs	4,366,278	-	5,882	-
Insurance companies, securities firms and fund managers	7,712	-	6,921	-
Corporates	11,438,538	-	908,087	-
Regulatory retail	10,534,294	-	992,269	-
Residential mortgages	8,108,149	-	9,853	-
Higher risk assets	6,833	-	10	-
Other assets	584,149	-	-	-
Equity exposure	137,392	-	-	-
Defaulted exposures	295,977	-	2,069	-
Total on-balance sheet exposures	41,823,161	-	1,925,091	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,648,990	-	8,503	-
Defaulted exposures	12,891	-	12	-
Total off-balance sheet exposures	4,661,881	-	8,515	-
Total on and off-balance sheet exposures	46,485,042	-	1,933,606	-

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

The following tables represent the Bank's and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework. (contd.)

<u>BANK</u> 2012 Exposure Class	Exposure <u>before CRM</u> RM'000	Exposures covered by guarantees/ credit <u>derivatives</u> RM'000	Exposures covered by eligible financial <u>collateral</u> RM'000	Exposures covered by other eligible <u>collateral</u> RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,022,323	-	-	-
Public sector entities	50,855	-	-	-
Banks, DFIs and MDBs	3,754,235	-	-	-
Insurance companies, securities firms and fund managers	447	-	-	-
Corporates	7,954,029	-	416,457	-
Regulatory retail	6,386,726	-	656,183	-
Residential mortgages	6,574,048	-	10,385	-
Higher risk assets	7,065	-	-	-
Other assets	479,264	-	-	-
Equity exposure	125,138	-	-	-
Defaulted exposures	142,744	-	7,637	-
Total on-balance sheet exposures	30,496,874	-	1,090,662	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,927,358	-	5,211	-
Defaulted exposures	5,856	-	2	-
Total off-balance sheet exposures	3,933,214	-	5,213	-
Total on and off-balance sheet exposures	34,430,088	-	1,095,875	-

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation ("CRM") (contd.)

The following tables represent the Bank's and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework. (contd.)

GROUP	Exposure	Exposures	Exposures	Exposures
2012	before CRM	covered by	covered by	covered by
Exposure Class	RM'000	guarantees/ credit derivatives	eligible financial collateral	other eligible collateral
		RM'000	RM'000	RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,143,989	-	-	-
Public sector entities	50,855	-	-	-
Banks, DFIs and MDBs	4,392,711	-	-	-
Insurance companies, securities firms and fund managers	476	-	-	-
Corporates	9,689,833	-	657,948	-
Regulatory retail	8,759,219	-	700,271	-
Residential mortgages	7,620,144	-	11,033	-
Higher risk assets	7,159	-	-	-
Other assets	626,605	-	-	-
Equity exposure	169,942	-	-	-
Defaulted exposures	225,479	-	8,193	-
Total on-balance sheet exposures	38,686,412	-	1,377,445	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives				
	4,581,288	-	19,316	-
Defaulted exposures	12,777	-	2	-
Total off-balance sheet exposures	4,594,065	-	19,318	-
Total on and off-balance sheet exposures	43,280,477	-	1,396,763	-

3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the mark-to-market exposure plus the potential future exposure (add-on factor multiplied by the notional amount). The add-on factors are as stipulated by BNM.

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3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

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

BANK 2013	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	338,044	-	338,044	338,044
Transaction-related contingent items	546,968	-	273,484	273,484
Short-term self-liquidating trade-related contingencies	114,653	-	22,931	22,931
Irrevocable commitments to extend credit:				
- maturity exceeding one year	4,334,151	-	2,167,075	1,739,319
- maturity not exceeding one year	4,370,367	-	874,073	792,789
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>11,092,994</u>	<u>-</u>	<u>3,953,369</u>	<u>3,384,240</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>17,341,746</u>	<u>19,792</u>	<u>4,055,619</u>	<u>3,428,724</u>
GROUP 2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	387,122	-	387,122	387,122
Transaction-related contingent items	585,435	-	292,717	292,717
Short-term self-liquidating trade-related contingencies	140,311	-	28,062	28,062
Irrevocable commitments to extend credit:				
- maturity exceeding one year	5,027,371	-	2,513,685	2,010,313
- maturity not exceeding one year	5,301,405	-	1,060,281	909,385
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>12,830,455</u>	<u>-</u>	<u>4,559,629</u>	<u>3,845,272</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>19,079,207</u>	<u>19,792</u>	<u>4,661,879</u>	<u>3,889,756</u>

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3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

The off-balance sheet exposures and their related counterparty credit risk of the Bank and the Group are as follows (contd.):

BANK 2012	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	354,758	-	354,758	354,758
Transaction-related contingent items	515,510	-	257,755	257,755
Short-term self-liquidating trade-related contingencies	126,778	-	25,356	25,356
Irrevocable commitments to extend credit:				
- maturity exceeding one year	3,645,632	-	1,822,816	1,518,664
- maturity not exceeding one year	4,675,582	-	935,116	858,102
Unutilised credit card lines	2,188,661	-	437,732	340,525
	<u>11,506,921</u>	<u>-</u>	<u>3,833,533</u>	<u>3,355,160</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>16,775,305</u>	<u>23,712</u>	<u>3,933,214</u>	<u>3,403,125</u>
GROUP 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	-	397,029	397,029
Transaction-related contingent items	549,766	-	274,883	274,883
Short-term self-liquidating trade-related contingencies	153,561	-	30,712	30,712
Obligation under on-going underwriting agreement	70,122	-	35,061	35,061
Irrevocable commitments to extend credit:				
- maturity exceeding one year	4,320,657	-	2,160,328	1,786,192
- maturity not exceeding one year	5,793,193	-	1,158,639	1,004,648
Unutilised credit card lines	2,188,661	-	437,732	340,525
	<u>13,472,989</u>	<u>-</u>	<u>4,494,384</u>	<u>3,869,050</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>18,741,373</u>	<u>23,712</u>	<u>4,594,065</u>	<u>3,917,015</u>

4.0 Market Risk

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and in their implied volatilities.

Market Risk Management

The governance structure for market risk management starts with the Board of Directors which has the overall oversight on market risk management and defines the risk philosophy, principles and core policies. The Board is in turn assisted by the Group Risk Management Committee ("GRMC") which is principally responsible to oversee management activities in managing risks. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place. At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Financial Markets as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic audit checking/sampling by Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) adoption of the Three Lines of Defence concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Internal Audit functioning as the 3rd Line.
- (v) scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in bonds, foreign exchange and interest rate swaps, which are transacted primarily by Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

4.0 Market Risk (contd.)

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are monitored and reported monthly to management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bonds, foreign exchange and equities portfolios.

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	Risk-Weighted Assets	Capital Requirements	Risk-Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
2013				
Interest rate risk				
- General interest rate risk	9,874	790	11,865	949
- Specific interest rate risk	362	29	362	29
	<u>10,236</u>	<u>819</u>	<u>12,227</u>	<u>978</u>
Foreign exchange risk	63,818	5,105	63,818	5,105
	<u>74,054</u>	<u>5,924</u>	<u>76,045</u>	<u>6,083</u>
2012				
Interest rate risk				
- General interest rate risk	135,911	10,873	138,404	11,072
- Specific interest rate risk	477	38	477	38
	<u>136,388</u>	<u>10,911</u>	<u>138,881</u>	<u>11,110</u>
Equity risk				
- General interest rate risk	-	-	3,419	273
- Specific interest rate risk	-	-	5,983	479
	<u>-</u>	<u>-</u>	<u>9,402</u>	<u>752</u>
Foreign exchange risk	20,731	1,658	20,731	1,658
Options risk	-	-	96,418	7,713
	<u>157,119</u>	<u>12,569</u>	<u>265,432</u>	<u>21,233</u>

5.0 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee, Group Risk Management Committee as well as the Board. The responsibilities of the Committees and Board include the following:

- (i) Oversight and implementation of the Operational Risk Management ("ORM") Framework;
- (ii) Establishment of risk appetite and the provision of strategic and specific directions;
- (iii) Regular review of operational risks initiatives, reports and profiles;
- (iv) Addressing operational risk issues; and
- (v) Ensuring compliance with regulatory and internal requirements including disclosures.

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

6.0 Equity Exposures in Banking Book

The Bank and the Group hold equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equity, fair value is estimated based on quoted or observable market price at the end of the reporting period; and for those unquoted equity, the fair value is estimated using certain valuation technique.

The return of the equity are credited to the statement of comprehensive income and any gain or loss arising from a change in fair value are recognised directly in other comprehensive income or in equity through the statement of changes in equity.

The following table shows the equity exposures in banking book:

	BANK		GROUP	
	Gross credit exposures	Risk-weighted assets	Gross credit exposures	Risk-weighted assets
	RM'000	RM'000	RM'000	RM'000
2013				
Publicly traded				
Holding of equity investments	9	13	9	13
Privately held				
For socio-economic purposes	79,551	79,551	117,471	117,471
Not for socio-economic purposes	19,912	29,868	19,912	29,868
	<u>99,472</u>	<u>109,432</u>	<u>137,392</u>	<u>147,352</u>
2012				
Publicly traded				
Holding of equity investments	13	13	4,212	4,212
Privately held				
For socio-economic purposes	86,189	86,189	127,183	127,183
Not for socio-economic purposes	8,705	13,058	8,705	13,058
	<u>94,907</u>	<u>99,260</u>	<u>140,100</u>	<u>144,453</u>

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	BANK		GROUP	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
- Publicly traded equity investments	-	-	1,350	1,484
- Privately held equity investments	-	300	-	(360)
	<u>-</u>	<u>300</u>	<u>1,350</u>	<u>1,124</u>
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	(4)	2	(784)	337
- Privately held equity investments	4,568	11,911	1,495	18,926
	<u>4,564</u>	<u>11,913</u>	<u>711</u>	<u>19,263</u>

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. On the ground, Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) prudent approach in management of IRR/RORBB that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) setting of proper gapping limits and the limits monitored closely.
- (iv) comprehensive IRR/RORBB reporting and review process which provide aggregate information and sufficient supporting details to enable assessment of the Group's sensitivity to changes in market conditions.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management and Board committees periodically. The risk dashboards provide a visual gauge ("dashboard view") on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (contd.)

The following tables present the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Bank's interest sensitivity gap as at reporting date.

	BANK		GROUP	
	- 100 bps Increase/(Decrease)	+ 100 bps	- 100 bps Increase/(Decrease)	+ 100 bps
	RM'000	RM'000	RM'000	RM'000
2013				
Impact on net interest income ("NII")				
Ringgit Malaysia	<u>(55,661)</u>	<u>55,661</u>	<u>(56,563)</u>	<u>56,563</u>
Impact on Economic Value ("EV")				
Ringgit Malaysia	<u>(260,623)</u>	<u>260,623</u>	<u>(267,717)</u>	<u>267,717</u>
2012				
Impact on net interest income ("NII")				
Ringgit Malaysia	<u>(57,392)</u>	<u>57,392</u>	<u>(53,366)</u>	<u>53,366</u>
Impact on Economic Value ("EV")				
Ringgit Malaysia	<u>(245,450)</u>	<u>245,450</u>	<u>(278,116)</u>	<u>278,116</u>

Note:

The foreign currency impact on NII/EV are consider insignificant as the exposure is less than 5% of Banking Book assets/liabilities.

8.0 Shariah Governance Disclosures and Profit Sharing Investment Account ("PSIA")

The disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.