1.0 SCOPE OF APPLICATION

The Risk Weighted Capital Adequacy Framework – (Basel II) Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements (Pillar 3) policy documents issued by Bank Negara Malaysia ("BNM") aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The two policy documents are applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and Islamic Financial Service Act 2013 ("IFSA").

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the policy documents apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank Islamic Berhad ("AmBank Islamic"). AMMB is a financial holding company ("FHC") approved pursuant to Section 112 (3) of the FSA.

The Pillar 3 Disclosure and regulatory capital ratio calculations are prepared at the consolidated AMMB Holdings Berhad level excluding investment in insurance entities and joint ventures ("the Group"). Investment in insurance entities is deducted from the regulatory capital. The information provided in this Pillar 3 Disclosure has been verified by the Group internal auditors and certified by the Group Chief Executive Officer.

Capital Adequacy

BNM's guidelines on capital adequacy seek to ensure that risk exposures of financial institutions are supported by adequate level of capital to withstand losses which may result from credit and other risks associated with its business operations.

The capital adequacy ratios are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020. Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%;

(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies; and

(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

Adoption of MFRS 16 *Leases*

The Group has adopted MFRS 16 for the first time since 1 April 2019. In Its transition to MFRS 16, the Group has elected to apply the simplified transition approach whereby the comparative amounts were not restated. The financial impact of the adoption of MFRS 16 are disclosed in Note 56 Financial impact arising from adoption of MFRS 16 *Leases* and restatement of comparative information in the annual financial statements of the Group. The financial effects disclosed included impact to the capital adequacy ratios arising from impact to capital base and risk weighted assets for changes arising from recognition of right-of-use assets.

Frequency of Disclosure

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

Medium and Location of Disclosure

The Pillar 3 disclosure of the Group is available on our corporate website at www.ambankgroup.com.

1.1 Basis of Consolidation

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

1.0 SCOPE OF APPLICATION (CONT'D.)

1.1 Basis of Consolidation (cont'd.)

For purposes of this Pillar 3 Disclosure, the consolidation basis used is the same as that used for regulatory capital adequacy purposes except for the exclusion of investment in insurance entities and joint ventures. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting treatment	
	Statutory reporting	Basel III regulatory reporting
Subsidiaries licensed under FSA or IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Risk weighted

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

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

2.0 CAPITAL MANAGEMENT

The Group's capital management approach is focused on maintaining a healthy capital position that supports the Group's strategic objectives and risk appetite. In line with the Group's annual 3-year strategy plan, a capital plan is developed to ensure that adequate level of capital and an optimum capital structure is maintained to meet regulatory requirements, the Group's strategic objectives and stakeholders' expectations.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. They help to estimate potential future losses arising from credit, market and other material risks, and supplement the regulatory formulae to simulate the amount of capital required to support them.

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

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

The capital that the Group is required to hold is determined by its risk exposures after applying collaterals and other risk mitigants. BNM has the right to impose further capital requirements on Malaysian financial institutions.

The Group has in place processes and controls to monitor and manage capital adequacy across the organisation. The Group Asset and Liability Committee ("GALCO") is responsible for overseeing and managing the Group's statement of financial position, capital and liquidity positions.

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 ("RMC") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels.

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Group and banking subsidiaries are as follows:

	31 March 2020			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	12.220%	11.165%	40.638%	12.642%
Tier 1 Capital ratio	12.220%	11.165%	40.638%	12.642%
Total Capital ratio	16.769%	15.950%	41.076%	15.998%
After deducting proposed dividends:				
CET1 Capital ratio	12.046%	11.165%	37.161%	12.440%
Tier 1 Capital ratio	12.046%	11.165%	37.161%	12.440%
Total Capital ratio	16.595%	15.950%	37.600%	15.796%

	31 March 2019			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	11.752%	11.654%	43.711%	12.328%
Tier 1 Capital ratio	12.406%	11.654%	43.711%	12.328%
Total Capital ratio	17.038%	16.836%	44.174%	15.864%
After deducting proposed dividends:				
CET1 Capital ratio	11.323%	11.084%	41.539%	11.890%
Tier 1 Capital ratio	11.977%	11.084%	41.539%	11.890%
Total Capital ratio	16.609%	16.267%	42.001%	15.426%

Notes:

(1) The capital adequacy ratios are computed in accordance to BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's policy document on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

(2) The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to section 112(3) of the FSA or section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019 and is presenting the capital adequacy ratios on FHC basis from 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

The positions of each entity as presented above and Group (where applicable) are also published at www.ambankgroup.com.

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	31 March 2020						
Exposure class	**RM'000**	**Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000**	**Net exposures/ EAD after CRM RM'000**	**Risk weighted assets RM'000**	**Risk Weighted Assets Absorbed by PSIA RM'000**	**Total Risk Weighted Assets after effects of PSIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. Credit risk							
On balance sheet exposures:							
Sovereigns/central banks		22,597,897	22,597,897	35,178	–	35,178	2,814
Public Sector Entities ("PSEs")		3,439	3,439	688	–	688	55
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		4,947,493	4,947,493	974,934	–	974,934	77,995
Corporates		62,174,909	59,713,195	48,068,312	–	48,068,312	3,845,465
Regulatory retail		35,778,163	33,621,302	27,046,327	192,639	26,853,688	2,148,295
Residential mortgages		20,747,400	20,740,562	8,051,422	–	8,051,422	644,114
Higher risk assets		613,158	613,148	919,722	–	919,722	73,578
Other assets		2,327,205	2,327,205	2,020,909	–	2,020,909	161,673
Securitisation exposures		10,780	10,780	3,263	–	3,263	261
Equity exposures		44	44	44	–	44	4
Defaulted exposures		1,459,285	1,439,470	1,587,851	–	1,587,851	127,028
Total for on balance sheet exposures		**150,659,773**	**146,014,535**	**88,708,650**	**192,639**	**88,516,011**	**7,081,282**
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,723,823	2,587,101	1,824,516	–	1,824,516	145,961
Credit derivatives		12	12	6	–	6	–
Off balance sheet exposures other than OTC derivatives or credit derivatives		18,632,981	10,080,540	8,604,129	–	8,604,129	688,330
Defaulted exposures		35,582	24,657	36,850	–	36,850	2,948
Total for off balance sheet exposures		**21,392,398**	**12,692,310**	**10,465,501**	**–**	**10,465,501**	**837,239**
Total on and off balance sheet exposures		**172,052,171**	**158,706,845**	**99,174,151**	**192,639**	**98,981,512**	**7,918,521**
2. Large exposures risk requirement				**658,015**	**–**	**658,015**	**52,641**
3. Market risk	**Long Position**	**Short Position**					
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	114,426,789	105,969,784		1,981,243	–	1,981,243	158,499
– Specific interest rate risk/rate of return risk	10,687,575	2,364,317		17,694	–	17,694	1,416
Foreign currency risk	577,096	799,771		1,077,580	–	1,077,580	86,206
Equity risk							
– General risk	43,881	4,228		39,587	–	39,587	3,167
– Specific risk	43,881	4,228		34,502	–	34,502	2,760
Option risk	176,759	208,370		26,343	–	26,343	2,107
Total	**125,955,981**	**109,350,698**		**3,176,949**	**–**	**3,176,949**	**254,155**
4. Operational risk				**6,191,409**	**–**	**6,191,409**	**495,313**
5. Total RWA and capital requirements				**109,200,524**	**192,639**	**109,007,885**	**8,720,630**

2.0 CAPITAL MANAGEMENT (CONT'D.)

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

The breakdown of RWA by exposures in major risk category of the Group is as follows: (cont'd.)

	31 March 2019 (Restated)*						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On balance sheet exposures:							
Sovereigns/central banks		11,191,498	11,191,498	–	–	–	–
Public Sector Entities ("PSEs")		43,788	43,788	8,758	–	8,758	701
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		6,598,845	6,598,845	1,328,737	–	1,328,737	106,298
Insurance companies, Securities firms and Fund managers		30,040	30,040	30,040	–	30,040	2,403
Corporates		57,589,616	54,627,652	44,506,840	–	44,506,840	3,560,547
Regulatory retail		36,149,070	34,708,260	27,549,751	334,809	27,214,942	2,177,195
Residential mortgages		19,224,228	19,215,900	7,362,039	–	7,362,039	588,963
Higher risk assets		544,749	544,678	817,017	–	817,017	65,361
Other assets		1,941,237	1,941,237	1,541,050	–	1,541,050	123,284
Securitisation exposures		20,757	20,757	5,331	–	5,331	426
Equity exposures		76	76	76	–	76	6
Defaulted exposures		1,285,677	1,265,866	1,340,490	–	1,340,490	107,239
Total for on balance sheet exposures		**134,619,581**	**130,188,597**	**84,490,129**	**334,809**	**84,155,320**	**6,732,423**
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		1,856,891	1,738,897	1,030,294	–	1,030,294	82,424
Credit derivatives		16	16	8	–	8	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		17,700,149	10,335,904	8,856,522	–	8,856,522	708,522
Defaulted exposures		35,657	20,608	30,809	–	30,809	2,465
Total for off balance sheet exposures		**19,592,713**	**12,095,425**	**9,917,633**	**–**	**9,917,633**	**793,412**
Total on and off balance sheet exposures		**154,212,294**	**142,284,022**	**94,407,762**	**334,809**	**94,072,953**	**7,525,835**
2. Large exposures risk requirement				**531,792**	**–**	**531,792**	**42,543**
3. Market risk	**Long Position**	**Short Position**					
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	113,572,764	97,715,906		2,047,521	–	2,047,521	163,802
– Specific interest rate risk/rate of return risk	17,040,367	1,172,972		142,510	–	142,510	11,401
Foreign currency risk	284,047	459,329		552,039	–	552,039	44,163
Equity risk							
– General risk	30,206	1,457		28,749	–	28,749	2,300
– Specific risk	30,206	1,457		14,723	–	14,723	1,178
Option risk	1,078,808	687,103		21,745	–	21,745	1,740
Total	**132,036,398**	**100,038,224**		**2,807,287**	**–**	**2,807,287**	**224,584**
4. Operational risk				**5,880,399**	**–**	**5,880,399**	**470,432**
5. Total RWA and capital requirements				**103,627,240**	**334,809**	**103,292,431**	**8,263,394**

**Refer to Note 1 in Table 8.1.*

3.0 CAPITAL STRUCTURE

Table 3.2 summarises the capital position and capital structure of the Group and its banking subsidiaries. The capital structure is made up of:

- Common Equity Tier 1 ("CET1") Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Capital

Issued and paid-up capital that represents the most subordinated claim in liquidation of the financial institution.

(b) Retained Earnings

Retained earnings are included in CET1 Capital net of any interim and final dividend declared, and net of any interim losses. Quarterly interim profits that are reviewed or audited by external auditors are included in the computation of CET1 Capital.

(c) Fair Value Reserve

The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at fair value through other comprehensive income ("FVOCI"). In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets. To the extent the balance in the fair value reserve is a net credit position, the Group can recognise 45% of the balance as part of CET1 Capital. Where the balance is a net debit position, the entire balance is deducted from CET1 Capital.

(d) Foreign Currency Translation Reserve/(Deficit)

Foreign exchange gains and losses arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's reporting currency.

(e) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 10.5 of the the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent. The amount of the regulatory reserve is deducted from the calculation of CET1 Capital.

(f) Cash Flow Hedging Reserve/(Deficit)

Cash flow hedging reserve/(deficit) comprises the portion of the gains/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gains as at the reporting period is classified as cash flow hedging reserve and cash flow hedging losses is classified as cash flow hedging deficit. The amount of the cash flow hedging reserve/(deficit) is derecognised in the calculation of CET1 Capital.

(g) Other disclosed reserves comprise:

(i) Executive Share Scheme reserve

Executive Share Scheme ("ESS") reserve represents the equity-settled scheme shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled scheme shares and is reduced by the expiry of the scheme shares.

(ii) Shares held in trust for ESS

Shares held in trust for ESS represent shares purchased under the ESS as mentioned above.

During the current financial year, the Company disposed off its entire holding of shares held in trust by the Trustee appointed under the old ESS which had expired on 11 January 2019 for a total consideration of approximately RM19.1 million.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.1 CET1 Capital (cont'd.)

(g) Other disclosed reserves comprise: (cont'd.)

(iii) Treasury shares

At the Extraordinary General meeting of the Company held on 31 July 2019, the shareholders of the Company approved the proposal for the Company to purchase up to three percent (3%) of the total number of its issued shares. During the current financial year, the Company bought back from the open market, a total of 7,495,900 ordinary shares listed on the Main Market of Bursa Malaysia at an average buy-back price of RM3.58 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM26.9 million financed by internally generated funds. None of the shares were resold or cancelled during the current financial year.

3.2 Additional Tier 1 Capital

The amount of Additional Tier 1 ("AT1") Capital to be included in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level, is subject to the gradual phase-out treatment under paragraph 37 of BNM's Capital Adequacy Framework (Capital Components) guideline, as the outstanding AT1 capital instruments are non-Basel III compliant capital instruments which no longer meet the criteria for inclusion in Additional Tier 1 Capital. The amount recognised under the gradual phase-out treatment shall be the lower of the aggregate cap and the amount outstanding. As at 1 January 2013 and at present, only AmBank has AT1 Capital Instrument in issuance. Table 3.1 outlines the details of the AT1 capital instruments of AmBank as well as the application of the grandfathering provisions.

Table 3.1 AT1 Capital Instruments of AmBank and the Gradual Phase-Out Treatment of AmBank

Based on 1 January 2013 for the Gradual Phase-out Treatment	
Instruments	**RM'000**
Non-cumulative Non-voting Guaranteed Preference Shares[1]	750,100
Innovative Tier 1 Capital – Tranche 1[2]	300,000
Innovative Tier 1 Capital – Tranche 2[3]	185,000
Non-Innovative Tier 1 Capital – Tranche 1[4]	200,000
Non-Innovative Tier 1 Capital – Tranche 2[5]	300,000
Total Qualifying Base	**1,735,100**

Notes:

[1] *Redeemed on the first call date 27 January 2016.*
[2] *Redeemed on the first call date 19 August 2019.*
[3] *Redeemed on the first call date 30 September 2019.*
[4] *Redeemed on the first call date 27 February 2019.*
[5] *Redeemed on the first call date 6 March 2019.*

Calendar year	Cap on Additional Tier 1 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	**Cap RM'000**
2013	90%	1,561,590
2014	80%	1,388,080
2015	70%	1,214,570
2016	60%	1,041,060
2017	50%	867,550
2018	40%	694,040
2019	30%	520,530
2020	20%	347,020
2021	10%	173,510
2022	0%	–

3.0 CAPITAL STRUCTURE (CONT'D.)

3.2 Additional Tier 1 Capital (cont'd.)

Innovative Tier 1 Capital

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

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

On 19 August 2019 and 30 September 2019, AmBank redeemed the first and second tranches of the ITICS respectively and had cancelled the ITICS Programme on 30 September 2019.

3.3 Tier 2 Capital

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments and Stage 1 and Stage 2 loss allowances and regulatory reserve (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach).

Basel III Subordinated Notes

On 30 December 2013, AmBank established a Basel III compliant Subordinated Notes programme of RM4.0 billion ("Programme") to enable the issuance of Tier 2 capital instruments from time to time. The Programme has a tenure of 30 years from the date of the first issuance under the Programme. Each issuance of Tier 2 Subordinated Notes under the Programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance.

The salient features of the Subordinated Notes issued under this programme and outstanding as at 31 March 2020 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	500
16 October 2017	16 October 2027	10 years Non-Callable 5 years	4.90% per annum	570
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	175
14 March 2018	14 March 2023	10 years Non-Callable 5 years	5.23% per annum	350
15 November 2018	14 November 2023	10 years Non-Callable 5 years	4.98% per annum	1,000
Total				**2,595**

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (cont'd.)

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had established a Basel III compliant Subordinated Sukuk Murabahah programme of RM3.0 billion ("Murabahah Programme") to enable the issuance of Tier 2 Capital from time to time.

The Murabahah Programme has a tenor of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under the programme shall have a tenure of at least five (5) years from the issue date, and is callable on any profit payment date after a minimum period of five (5) years from the date of issuance of each tranche.

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2020 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
21 December 2015	21 December 2020	10 years Non-Callable 5 years	5.35% per annum	250
30 December 2016	30 December 2021	10 years Non-Callable 5 years	5.50% per annum	10
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	240
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	150
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	500
Total				**1,150**

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (cont'd.)

Table 3.2: Capital Structure

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	31 March 2020			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,380,683	2,148,410	313,545	11,557,241
Fair value reserve	368,847	56,249	999	616,558
Foreign exchange translation reserve	99,587	–	–	108,667
Treasury shares	–	–	–	(26,916)
Regulatory reserve	311,003	71,612	4,912	387,528
Cash flow hedging deficit	(28,155)	–	–	(28,155)
Other remaining disclosed reserves	–	–	–	40,572
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(264,492)	(1,034)	(1,116)	(277,233)
Deferred tax assets	(33,439)	–	(7,179)	(23,114)
Cash flow hedging deficit	28,155	–	–	28,155
55% of cumulative gains in fair value reserve	(202,866)	(30,937)	(550)	(339,107)
Regulatory reserve	(311,003)	(71,612)	(4,912)	(387,528)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,086)	(148)	–	(1,154)
CET1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,426**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	458
Tier 1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,884**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,420,697
General provisions*	858,821	375,600	4,916	1,237,269
Tier 2 Capital	**3,453,821**	**1,525,600**	**4,916**	**3,657,966**
Total Capital	**12,733,032**	**5,085,247**	**460,806**	**17,438,850**

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

Credit RWA	68,705,693	30,960,556	841,125	99,174,151
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(912,582)	–	(192,639)
Total Credit RWA	68,705,693	30,047,974	841,125	98,981,512
Market RWA	2,351,627	294,650	17,004	3,176,949
Operational RWA	4,217,469	1,539,751	263,707	6,191,409
Large exposure risk RWA for equity holdings	657,669	–	–	658,015
Total RWA	**75,932,458**	**31,882,375**	**1,121,836**	**109,007,885**

* *Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.*

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (cont'd.)

Table 3.2: Capital Structure (cont'd.)

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the the Group and banking subsidiaries are as follows: (cont'd.)

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,014,840	1,933,885	296,696	10,773,243
Fair value reserve	245,836	39,151	1,089	460,863
Foreign exchange translation reserve	85,109	–	–	94,089
Regulatory reserve	280,556	164,928	4,674	450,158
Shares held in trust for ESS	–	–	–	(31,483)
Cash flow hedging deficit	(12,074)	–	–	(12,074)
Other remaining disclosed reserves	–	–	–	5,295
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(368,654)	(1,351)	(1,750)	(386,109)
Deferred tax assets	(57,589)	–	(3,051)	(53,957)
Cash flow hedging deficit	12,074	–	–	12,074
55% of cumulative gains in fair value reserve	(135,210)	(21,533)	(599)	(253,475)
Regulatory reserve	(280,556)	(164,928)	(4,674)	(450,158)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	–	(49,809)	(1,334,000)
CET1 Capital	**8,716,309**	**3,337,259**	**442,576**	**12,733,378**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	–	–	–
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	439
Tier 1 Capital	**9,201,309**	**3,337,259**	**442,576**	**12,733,817**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,476,745
General provisions*	840,495	334,015	4,684	1,175,912
Tier 2 Capital	**3,435,495**	**1,484,015**	**4,684**	**3,652,657**
Total Capital	**12,636,804**	**4,821,274**	**447,260**	**16,386,474**

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

Credit RWA	67,239,575	28,526,091	732,342	94,407,762
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(1,804,893)	–	(334,809)
Total Credit RWA	67,239,575	26,721,198	732,342	94,072,953
Market RWA	2,358,358	475,926	28,644	2,807,287
Operational RWA	4,037,878	1,439,025	251,510	5,880,399
Large exposure risk RWA for equity holdings	531,402	–	–	531,792
Total RWA	**74,167,213**	**28,636,149**	**1,012,496**	**103,292,431**

** Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.*

4.0 GENERAL RISK MANAGEMENT

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the Group to set its risk/reward profile.

The Risk Appetite Framework is approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed (ROCE) and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the environment that the Group operates in.

The Risk Appetite Framework provides portfolio limits/controls for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limits/ controls for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and operational risk.

AmBank Group Risk Direction

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

1 AmBank Group aspires to maintain its current financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2 AmBank Group aims to maintain a minimum ROCE of 12% and RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
3 AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4 AmBank Group recognises the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (FHC level) above the prevailing regulatory minimum (effective from July 2020).
5 AmBank Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
6 AmBank Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   a. Keep operational losses and regulatory penalties below 2% of PATMI*.
   b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks including but not limited to market risk, liquidity risk, credit risk, operational risk and IT and Cyber risk.

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

The Group has an independent risk management function, headed by the Group Chief Risk Officer who:

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology and emerging risks;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the Risk Management Committee, has access to the Board and the boards of the respective banking entities to facilitate suitable escalation of issues of concern across the organisation.

* *Profit after tax and non-controlling interests.*

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

Risk Management Governance (cont'd.)

Impact of COVID-19

Risk management is an integral part of the Group's culture and is embedded within its business, operations and decision making processes. The Group as a sustainable-conscious organisation has implemented various progressive measures through the Crisis Management Programme following the Movement Control Order ("MCO") implemented nationwide arising from the COVID-19 pandemic, namely:

- engaging technology capabilities while keeping cybersecurity risk checked-in, given the allowed higher levels of remote access to data and core systems; and
- ensuring key services to customers remain available throughout the period while taking precautions to keep in compliance with the MCO requirements.

The Group welcomed the stimulus plan announced by the Government as relief had been provided to both individuals as well as SMEs and had announced a 24-hour turnaround time for Special Relief Fund applications for SMEs, a scheme largely guaranteed by the government.

It is too soon for the Group to see the full impact of COVID-19 on its portfolio however, the financial markets are witnessing a wave of increased volatility, coupled with the drastic drop in oil price. The forward looking strategies would be aligned to the government's direction.

Group Risk Management as a whole is working towards monitoring, mitigating and addressing the fast-moving and unknown variables of the COVID-19 outbreak to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls and reevaluating the provisioning models to minimize the potential impact to the Group.

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are:

- To protect the interests of depositors, creditors and shareholders;
- To ensure the safety and soundness of the Group's capital position; and
- To ensure that the capital base supports the Group's Risk Appetite and business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP:

4.1.1 The Group shall maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- The Group Risk Appetite, including the Group's target credit rating;
- Regulatory Capital requirements;
- The Board and Management's targeted financial performance; and
- The Group's planned asset growth and strategic business objectives.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

4.1.2 Management Oversight

The ICAAP must be subject to Board and senior management oversight, forms an integral part of the Group's capital management and decision making processes, and will:

- Undergo regular, effective and comprehensive review;
- Satisfy regulatory requirements;
- Be capable of independent assessment and validation; and
- Be incorporated into the Group's overall risk management strategy and governance frameworks.

4.1.3 Capital Management Policy

The ICAAP shall include an approved Capital Management Policy which contains:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level; and
- Measures to ensure that the Group is in compliance with minimum regulatory standards.

4.1.4 The Group's quality and level of capital shall commensurate with the level of risks exposures. Sufficient capital shall be maintained to:

- Meet minimum prudential requirements (including capital buffer requirements) in all jurisdictions in which the the Group operates, and any requirements that may be imposed by the stakeholders of the Group; and
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan.

The Group will have appropriately established capital targets for each major capital type; including:

- minimums;
- triggers; and
- target operating ranges.

4.1.5 Capital allocation:

- Capital allocation shall be consistent with Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

- The Group shall clearly articulate definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, changes to existing risk types and new risk types.

4.1.7 The Board shall be notified and the regulator advised as soon as practicable of any:

- Significant departure from its ICAAP;
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- Significant changes in its capital.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

ICAAP Framework

Requirements of the Banks	Requirements of the Regulator
Principal 1: • Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels	**Principal 2:** • Regulators to review and evaluate the Bank's ICAAP strategies • Regulators to monitor and ensure Bank's compliance with regulatory capital ratios • Regulators undertake appropriate supervisory action if unsatisfactory results
Principal 3: • Banks are expected to operate above the minimum regulatory capital ratios and should have the ability to hold capital in excess of the minimum	**Principal 4:** • Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight	Sound Capital Assessment	Comprehensive Risk Assessment and Management Processes	Monitoring and Reporting	Internal Control and Review
• Material Risks identified • Material thresholds • Group Risk Appetite • Sufficient Capital Adequacy • Targeted Financial Performance • Planned Asset Growth & Strategic business objectives • Policy/Frameworks	• Identification, Measurement and Reporting of Material Risks • Stressed Plans • Compliance with minimum regulatory standards • Clear linkage between risks and capital • Capital Plan	• Credit Risk • Market Risk • Operational Risk • Credit Residual Risk • Rate Risk in the Banking Book • Credit Concentration Risk • Goodwill Risk • Liquidity & Funding Risk • Contagion Risk • Business/Strategic Risk • Reputation Risk • Shariah Risk	• Level and Trend of Material Risks • Sensitivity Analysis of key assumptions • Regulatory Reporting to Board and Senior Management	• Independent reviews of ICAAP (internal and external audit) • Ongoing compliance monitoring • Stress Testing • Documented processes/ frameworks

Overview of ICAAP process and setting Internal Capital Targets

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 • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance Structure).

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

For non-retail credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the banking subsidiaries' credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the banking subsidiaries' credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

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

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

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

- Concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions;
- Setting Retail risk-based segment pricing, taking into account expected credit loss, operational expenses and credit cost; and
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such counterparty exposure exceeds RM160 million in aggregate or group counterparty exceed RM1.0 billion in aggregate, it will be submitted to Board Credit Committee ("BCC") for review with powers to veto, as the case may be.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/financing portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policy and guideline.

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

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

5.1 Impairment

The Group's Classified Account Management ("CAM") Policy and its corresponding Guidelines for the respective Line of Businesses are established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM's policies/guidelines. In general, an asset is considered impaired when:

a. the Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Group;
b. the obligor has breached its contractual payment obligations and past due for more than 90 days; and
c. other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay are hit.

5.1.1 Group Provisioning Methodology

The Group's provisioning methodology complies with MFRS 9 where we recognize Expected Credit Loss ("ECL") at all times to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about ECL.

MFRS 9 applies to all financial assets classified as amortised cost and FVOCI, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. The Group calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

i. Stage 1: For performing financial instruments which credit risk had not been significantly increased since initial recognition.

ii. Stage 2: For underperforming financial instruments which credit risk had significantly increased since initial recognition.

iii. Stage 3: For financial instruments which are credit impaired.

The following diagram summarises the impairment requirements under MFRS 9 (other than purchased or originated credit-impaired financial assets):

Changes in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit impaired assets)
12-month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

ECL can be assessed individually or collectively. Financial assets that are not individually significant or not individually credit impaired are collectively assessed. For financial assets that are individually significant, an assessment is performed to determine whether objective evidence of impairment exists individually.

Individual assessment is divided into two main processes – trigger assessment and measurement of impairment loss. Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment, i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

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

	31 March 2020														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas and Water RM'000	Construc-tion RM'000	Wholesale and Retail Trade and Hotels and Restau-rants RM'000	Transport, Storage Restaurants and Communica-tion RM'000	Finance and Insurance RM'000	Govern-ment and Central Banks 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	–	–	–	–	–	–	–	–	22,597,897	–	–	–	–	–	22,597,897
PSEs	–	–	–	–	–	–	–	–	3,439	–	–	–	–	–	3,439
Banks, DFIs and MDBs	–	–	–	–	–	–	–	4,947,493	–	–	–	–	–	–	4,947,493
Corporates	2,851,836	2,427,085	12,705,293	1,927,075	6,949,387	6,292,266	5,653,667	5,363,603	–	8,718,024	3,605,458	4,112,871	1,563,748	4,596	62,174,909
Regulatory retail	50,298	11,557	519,694	49,509	365,367	891,408	156,331	9,703	–	97,994	297,819	71,341	33,255,114	2,028	35,778,163
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	20,747,400	–	20,747,400
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	19,573	593,585	613,158
Other assets	–	5	–	–	–	–	–	25,611	–	176	21,786	–	59,592	2,220,035	2,327,205
Securitisation exposures	–	–	–	–	–	–	–	10,780	–	–	–	–	–	–	10,780
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	44	44
Defaulted exposures	84,701	39,508	194,940	204	56,241	72,062	57,140	–	–	319,343	30,151	6,994	597,559	442	1,459,285
Total for on balance sheet exposures	**2,986,835**	**2,478,155**	**13,419,927**	**1,976,788**	**7,370,995**	**7,255,736**	**5,867,138**	**10,357,190**	**22,601,336**	**9,135,537**	**3,955,214**	**4,191,206**	**56,242,986**	**2,820,730**	**150,659,773**
Off balance sheet exposures															
OTC derivatives	15,861	33,134	347,048	207	2,054	10,592	607,555	1,529,537	–	3,903	106,315	3,344	64,273	–	2,723,823
Credit derivatives	–	–	–	–	–	–	–	12	–	–	–	–	–	–	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	263,231	476,129	2,262,448	414,230	3,214,458	1,063,723	597,123	1,433,176	5,446,856	714,515	371,319	141,271	2,233,502	1,000	18,632,981
Defaulted exposures	–	114	3,676	–	7,905	46	79	–	–	9,854	81	–	13,827	–	35,582
Total for off balance sheet exposures	**279,092**	**509,377**	**2,613,172**	**414,437**	**3,224,417**	**1,074,361**	**1,204,757**	**2,962,725**	**5,446,856**	**728,272**	**477,715**	**144,615**	**2,311,602**	**1,000**	**21,392,398**
Total on and off balance sheet exposures	**3,265,927**	**2,987,532**	**16,033,099**	**2,391,225**	**10,595,412**	**8,330,097**	**7,071,895**	**13,319,915**	**28,048,192**	**9,863,809**	**4,432,929**	**4,335,821**	**58,554,588**	**2,821,730**	**172,052,171**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2019 (Restated)*														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas and Water RM'000	Construc-tion RM'000	Wholesale and Retail Trade and Hotels and Restau-rants RM'000	Transport, Storage Restaurants and Communica-tion RM'000	Finance and Insurance RM'000	Govern-ment and Central Banks 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	–	–	–	–	–	–	–	–	11,191,498	–	–	–	–	–	11,191,498
PSEs	–	–	–	–	–	–	–	–	43,788	–	–	–	–	–	43,788
Banks, DFIs and MDBs	–	–	–	–	–	–	–	6,598,845	–	–	–	–	–	–	6,598,845
Insurance companies, Securities firms and Fund managers	–	–	–	–	–	–	–	30,040	–	–	–	–	–	–	30,040
Corporates	3,350,306	1,619,875	11,069,648	1,228,445	6,915,036	5,591,979	5,107,688	4,900,644	–	9,181,958	3,086,705	3,527,010	2,009,367	955	57,589,616
Regulatory retail	64,270	14,053	455,978	35,901	340,318	831,428	187,356	7,954	–	101,270	347,041	79,979	33,680,255	3,267	36,149,070
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	19,224,228	–	19,224,228
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	19,528	525,221	544,749
Other assets	–	–	–	–	–	–	–	78,303	–	–	29,614	–	62,192	1,771,128	1,941,237
Securitisation exposures	–	–	–	–	–	–	–	20,757	–	–	–	–	–	–	20,757
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	76	76
Defaulted exposures	615	68,586	128,309	26	13,667	51,577	65,875	–	–	405,396	12,141	8,136	530,922	427	1,285,677
Total for on balance sheet exposures	**3,415,191**	**1,702,514**	**11,653,935**	**1,264,372**	**7,269,021**	**6,474,984**	**5,360,919**	**11,636,543**	**11,235,286**	**9,688,624**	**3,475,501**	**3,615,125**	**55,526,492**	**2,301,074**	**134,619,581**
Off balance sheet exposures															
OTC derivatives	11,720	18,700	96,586	42	–	5,233	388,192	1,305,970	–	5,555	5,380	11,897	7,616	–	1,856,891
Credit derivatives	–	–	–	–	–	–	–	16	–	–	–	–	–	–	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	210,864	622,375	2,454,555	352,675	3,115,198	948,064	487,543	1,492,307	4,476,942	714,491	379,762	131,153	2,313,560	660	17,700,149
Defaulted exposures	–	110	10,458	–	2,128	498	–	–	–	9,920	293	–	12,250	–	35,657
Total for off balance sheet exposures	**222,584**	**641,185**	**2,561,599**	**352,717**	**3,117,326**	**953,795**	**875,735**	**2,798,293**	**4,476,942**	**729,966**	**385,435**	**143,050**	**2,333,426**	**660**	**19,592,713**
Total on and off balance sheet exposures	**3,637,775**	**2,343,699**	**14,215,534**	**1,617,089**	**10,386,347**	**7,428,779**	**6,236,654**	**14,434,836**	**15,712,228**	**10,418,590**	**3,860,936**	**3,758,175**	**57,859,918**	**2,301,734**	**154,212,294**

* *Refer to Note 1 in Table 8.1.*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.2: Impaired and past due loans, advances and financing, and impairment allowances by sector

The impaired and past due loans, advances and financing, impairment allowances, charges for individual impairment allowances and write offs during the financial year by sector of the Group is as follow:

	31 March 2020														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas and Water RM'000	Construc-tion RM'000	Wholesale and Retail Trade and Hotels and Restau-rants RM'000	Transport, Storage Restaurants and Communica-tion 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 loans, advances and financing	84,501	53,591	247,956	137	84,241	134,049	80,709	2	314,347	33,605	25,260	794,235	–	–	1,852,633
Past due loans/financing	19,776	46,370	168,555	1,020	222,498	170,210	62,287	93,805	351,394	81,777	45,312	10,346,863	–	–	11,609,867
Allowances for Expected Credit Losses	16,493	26,539	126,377	6,504	78,175	70,047	37,122	4,192	51,639	33,560	6,666	728,844	81,452	–	1,267,610
Charges/(writeback) for individual allowance	1,455	21,045	72,287	–	41,839	32,238	19,306	–	(7,622)	6,811	5,243	4,823	–	–	197,425
Write-offs against individual allowance and other movements	–	17,340	66,940	–	7,169	18,960	4,708	–	65,280	1,457	28,515	2,981	–	–	213,350

	31 March 2019 (Restated)*														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas and Water RM'000	Construc-tion RM'000	Wholesale and Retail Trade and Hotels and Restau-rants RM'000	Transport, Storage Restaurants and Communica-tion 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 loans, advances and financing	554	78,964	164,731	140	23,265	58,976	73,255	1	503,656	14,831	11,418	690,871	–	–	1,620,662
Past due loans/financing	9,039	77,250	219,754	572	223,304	121,275	104,059	9,824	580,841	79,182	40,537	9,624,174	9,349	–	11,099,160
Allowances for Expected Credit Losses	8,789	25,088	37,453	2,319	27,532	40,301	23,531	16,640	295,349	8,431	452,382	316,599	49,371	(3,314)	1,300,471
Charges/(writeback) for individual allowance	–	12,562	53,034	147	7,455	32,153	5,375	–	(67,703)	2,479	3,000	(3,013)	–	–	45,489
Write-offs against individual allowance and other movements	–	11,365	6,244	7,177	12,202	32,607	2,373	–	29,632	741	5,961	–	–	–	108,302

* *During the current financial year, the Group conducted a review of the reporting of its impaired loans, advances and financing portfolio. The review did not result in any changes to total impaired loans, advances and financing balances or impairment allowances for loans, advances and financing except for certain amendments in disclosure of impaired loans, advances and financing by sector as at 31 March 2019.*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures

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

	31 March 2020		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	22,527,541	70,356	22,597,897
PSEs	3,439	–	3,439
Banks, DFIs and MDBs	3,314,292	1,633,201	4,947,493
Corporates	61,751,834	423,075	62,174,909
Regulatory retail	35,778,163	–	35,778,163
Residential mortgages	20,747,400	–	20,747,400
Higher risk assets	612,665	493	613,158
Other assets	2,143,889	183,316	2,327,205
Securitisation exposures	10,780	–	10,780
Equity exposures	44	–	44
Defaulted exposures	1,427,493	31,792	1,459,285
Total for on balance sheet exposures	**148,317,540**	**2,342,233**	**150,659,773**
Off balance sheet exposures			
OTC derivatives	2,371,392	352,431	2,723,823
Credit derivatives	–	12	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	18,546,218	86,763	18,632,981
Defaulted exposures	35,582	–	35,582
Total for off balance sheet exposures	**20,953,192**	**439,206**	**21,392,398**
Total for on balance sheet exposures	**169,270,732**	**2,781,439**	**172,052,171**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2019 (Restated)*		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	11,191,498	–	11,191,498
Public Sector Entities	43,788	–	43,788
Banks, DFIs and MDBs	3,963,638	2,635,207	6,598,845
Insurance companies, Securities firms and Fund managers	30,040	–	30,040
Corporates	57,264,870	324,746	57,589,616
Regulatory retail	36,149,070	–	36,149,070
Residential mortgages	19,224,228	–	19,224,228
Higher risk assets	544,738	11	544,749
Other assets	1,788,211	153,026	1,941,237
Securitisation exposures	20,757	–	20,757
Equity exposures	76	–	76
Defaulted exposures	1,235,913	49,764	1,285,677
Total for on balance sheet exposures	**131,456,827**	**3,162,754**	**134,619,581**
Off balance sheet exposures			
OTC derivatives	1,618,718	238,173	1,856,891
Credit derivatives	–	16	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	17,625,158	74,991	17,700,149
Defaulted exposures	35,657	–	35,657
Total for off balance sheet exposures	**19,279,533**	**313,180**	**19,592,713**
Total on and off balance sheet exposures	**150,736,360**	**3,475,934**	**154,212,294**

* *Refer to Note 1 in Table 8.1.*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing and impairment allowances

The impaired and past due loans, advances and financing and impairment allowances by geographic distribution of the Group is as follows:

	31 March 2020		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,808,511	44,122	1,852,633
Past due loans/financing	11,565,745	44,122	11,609,867
Allowances for Expected Credit Losses	1,253,749	13,861	1,267,610

	31 March 2019		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,562,438	58,224	1,620,662
Past due loans/financing	11,040,936	58,224	11,099,160
Allowances for Expected Credit Losses	1,289,302	11,169	1,300,471

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2020								
	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	13,673,642	558,652	843,017	11,274	1,441,408	1,777,997	4,291,907	–	22,597,897
PSEs	–	–	–	–	–	–	3,439	–	3,439
Banks, DFIs and MDBs	3,117,051	96,794	123,665	66,669	158,924	823,582	560,808	–	4,947,493
Corporates	16,890,613	6,434,929	3,400,173	3,529,325	7,490,056	6,645,699	17,784,114	–	62,174,909
Regulatory retail	92,074	53,591	98,612	427,197	3,832,987	4,856,083	26,417,619	–	35,778,163
Residential mortgages	876	272	1,333	5,552	61,364	165,582	20,512,421	–	20,747,400
Higher risk assets	11	1	–	3	604	860	18,094	593,585	613,158
Other assets	1,068,648	–	–	–	–	–	–	1,258,557	2,327,205
Securitisation exposures	–	–	–	–	–	–	10,780	–	10,780
Equity exposures	–	–	–	–	–	–	–	44	44
Defaulted exposures	518,920	3,492	10,407	29,721	77,398	91,270	728,077	–	1,459,285
Total for on balance sheet exposures	**35,361,835**	**7,147,731**	**4,477,207**	**4,069,741**	**13,062,741**	**14,361,073**	**70,327,259**	**1,852,186**	**150,659,773**
Off balance sheet exposures									
OTC derivatives	62,282	110,480	291,267	388,195	154,992	764,697	951,910	–	2,723,823
Credit derivatives	–	–	–	–	12	–	–	–	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	8,071,197	991,579	1,223,755	2,780,118	1,804,910	729,500	3,031,922	–	18,632,981
Defaulted exposures	2,992	3,434	5,672	2,084	8,684	641	12,075	–	35,582
Total for off balance sheet exposures	**8,136,471**	**1,105,493**	**1,520,694**	**3,170,397**	**1,968,598**	**1,494,838**	**3,995,907**	**–**	**21,392,398**
Total for on balance sheet exposures	**43,498,306**	**8,253,224**	**5,997,901**	**7,240,138**	**15,031,339**	**15,855,911**	**74,323,166**	**1,852,186**	**172,052,171**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2019 (Restated)*								
	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	2,011,099	–	–	1,661,461	2,280,921	614,130	4,623,887	–	11,191,498
PSEs	–	–	25	40,588	11	–	3,164	–	43,788
Banks, DFIs and MDBs	5,157,614	424,988	173,343	44,368	127,069	256,152	415,311	–	6,598,845
Insurance companies, Securities firms and Fund managers	–	–	–	–	30,040	–	–	–	30,040
Corporates	16,731,563	5,522,875	3,487,877	3,005,053	8,166,667	5,048,600	15,626,981	–	57,589,616
Regulatory retail	87,139	68,258	121,170	370,129	3,912,883	5,848,199	25,741,292	–	36,149,070
Residential mortgages	598	476	1,188	4,649	62,868	145,028	19,009,421	–	19,224,228
Higher risk assets	92	22	93	21	604	605	18,091	525,221	544,749
Other assets	1,012,054	371	17,796	–	–	–	–	911,016	1,941,237
Securitisation exposures	–	–	–	–	–	–	20,757	–	20,757
Equity exposures	–	–	–	–	–	–	–	76	76
Defaulted exposures	560,258	3,888	5,308	28,734	93,488	62,553	531,448	–	1,285,677
Total for on balance sheet exposures	**25,560,417**	**6,020,878**	**3,806,800**	**5,155,003**	**14,674,551**	**11,975,267**	**65,990,352**	**1,436,313**	**134,619,581**
Off balance sheet exposures									
OTC derivatives	44,673	48,825	93,900	96,685	140,089	191,333	1,241,386	–	1,856,891
Credit derivatives	–	–	–	–	16	–	–	–	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	4,229,391	3,609,373	909,800	1,903,853	2,429,588	688,792	3,929,352	–	17,700,149
Defaulted exposures	8,681	1,506	7,891	1,534	4,798	1,306	9,941	–	35,657
Total for off balance sheet exposures	**4,282,745**	**3,659,704**	**1,011,591**	**2,002,072**	**2,574,491**	**881,431**	**5,180,679**	**–**	**19,592,713**
Total on and off balance sheet exposures	**29,843,162**	**9,680,582**	**4,818,391**	**7,157,075**	**17,249,042**	**12,856,698**	**71,171,031**	**1,436,313**	**154,212,294**

** Refer to Note 1 in Table 8.1.*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The disclosure on reconciliation of loan loss allowances can be found in Note 13 of the annual financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

Financial Year Ended 31 March 2020 ("FY2020")	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(51,291)
Bad debt recoveries during the financial year	395,072

Financial Year Ended 31 March 2020 ("FY2019")	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(107,990)
Bad debt recoveries during the financial year	945,390

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH

The Group uses external ratings for credit exposures to assign risk-weights under the Standardised Approach where relevant. The ratings from the following external credit assessment institutions (ECAIs) are used:

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

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

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

31 March 2020													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	22,714,210	–	303,252	–	6,220,829	63	–	–	274,626	–	–	29,512,980	–
20%	–	3,439	5,227,192	–	7,651,609	1,011,303	–	–	39,587	10,690	–	13,943,820	2,788,764
35%	–	–	–	–	–	–	15,494,457	–	–	–	–	15,494,457	5,423,060
50%	70,356	–	617,357	–	414,027	28,206	5,410,754	–	–	–	–	6,540,700	3,270,351
75%	–	–	–	–	–	24,857,375	–	–	–	–	–	24,857,375	18,643,031
100%	–	–	605	25	55,067,027	9,828,128	67,808	–	2,012,992	–	44	66,976,629	66,976,629
150%	–	–	–	–	667,593	82,020	–	631,181	–	–	–	1,380,794	2,071,191
1250%	–	–	–	–	–	–	–	–	–	90	–	90	1,125
Total	**22,784,566**	**3,439**	**6,148,406**	**25**	**70,021,085**	**35,807,095**	**20,973,019**	**631,181**	**2,327,205**	**10,780**	**44**	**158,706,845**	**99,174,151**

31 March 2019													
Exposures after netting and credit risk mitigation													
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	11,417,003	–	55,713	–	5,155,601	–	–	–	312,521	–	–	16,940,838	–
20%	–	43,788	7,317,210	–	6,539,887	767,962	–	–	109,583	20,661	–	14,799,091	2,959,818
35%	–	–	–	–	–	–	15,004,698	–	–	–	–	15,004,698	5,251,644
50%	–	–	548,107	–	714,385	27,680	4,375,746	–	–	–	–	5,665,918	2,832,959
75%	–	–	–	–	–	28,278,396	–	–	–	–	–	28,278,396	21,208,797
100%	–	–	–	35,814	50,912,875	7,962,498	47,870	–	1,519,133	–	76	60,478,266	60,478,266
150%	–	–	–	–	417,626	136,533	–	562,560	–	–	–	1,116,719	1,675,079
1250%	–	–	–	–	–	–	–	–	–	96	–	96	1,199
Total	**11,417,003**	**43,788**	**7,921,030**	**35,814**	**63,740,374**	**37,173,069**	**19,428,314**	**562,560**	**1,941,237**	**20,757**	**76**	**142,284,022**	**94,407,762**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

	31 March 2020					
	Ratings of Corporate by Approved ECAIs					
Group Exposure class	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	3,439	–	–	–	–	3,439
Insurance companies, Securities firms and Fund managers	25	–	–	–	–	25
Corporates	74,702,866	5,277,202	1,799,275	–	–	67,626,389
Total	**74,706,330**	**5,277,202**	**1,799,275**	**–**	**–**	**67,629,853**

	31 March 2019					
	Ratings of Corporate by Approved ECAIs					
Group Exposure class	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	43,788	40,588	–	–	–	3,200
Insurance companies, Securities firms and Fund managers	35,814	–	–	–	–	35,814
Corporates	68,710,148	5,444,275	1,538,878	–	–	61,726,995
Total	**68,789,750**	**5,484,863**	**1,538,878**	**–**	**–**	**61,766,009**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

Group Exposure class	31 March 2020 Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	28,044,753	–	27,974,397	70,356	–	–
Total	**28,044,753**	**–**	**27,974,397**	**70,356**	**–**	**–**

Group Exposure class	31 March 2019 Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	15,668,440	–	15,668,440	–	–	–
Total	**15,668,440**	**–**	**15,668,440**	**–**	**–**	**–**

Group Exposure class	31 March 2020 Ratings of Banking Institutions by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	7,280,558	3,317,292	623,173	322,084	464	3,017,545
Total	**7,280,558**	**3,317,292**	**623,173**	**322,084**	**464**	**3,017,545**

Group Exposure class	31 March 2019 Ratings of Banking Institutions by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	9,067,681	4,131,919	3,166,806	832,512	435	936,009
Total	**9,067,681**	**4,131,919**	**3,166,806**	**832,512**	**435**	**936,009**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

	31 March 2020			
	Ratings of Securitisation by Approved ECAIs			
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
Group Exposure class				
On and off balance sheet exposures				
Securitisation exposures	10,780	10,690	–	90
Total	**10,780**	**10,690**	**–**	**90**

	31 March 2019			
	Ratings of Securitisation by Approved ECAIs			
	Moody's S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
Group Exposure class				
On and off balance sheet exposures				
Securitisation exposures	20,757	20,661	–	96
Total	**20,757**	**20,661**	**–**	**96**

7.0 CREDIT RISK MITIGATION

Main types of collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. The collateral accepted for credit risk mitigation comprises financial collateral, real estate, other physical asset and guarantees.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not supported by collateral.

The Group Collateral Policy is the internally recognised collateral framework for lending/financing purposes as well as for regulatory capital.

Processes for collateral management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower/customer, where borrower's/customer's risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower/customer is not recognised as part of the risk grade enhancement.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer/borrower can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation

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

	31 March 2020		
Exposures	**Exposures before CRM RM'000**	**Exposures covered by Guarantees RM'000**	**Exposures covered by Eligible Financial Collateral RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	22,597,897	–	–
PSEs	3,439	–	–
Banks, DFIs And MDBs	4,947,493	–	–
Corporates	62,174,909	1,071,504	4,734,940
Regulatory retail	35,778,163	984,478	2,800,686
Residential mortgages	20,747,400	–	36,132
Higher risk assets	613,158	–	10
Other assets	2,327,205	–	–
Securitisation exposures	10,780	–	–
Equity exposures	44	–	–
Defaulted exposures	1,459,285	37,823	125,234
Total for on balance sheet exposures	**150,659,773**	**2,093,805**	**7,697,002**
Off balance sheet exposures			
OTC derivatives	2,723,823	–	381,803
Credit derivatives	12	–	–
Off balance sheet exposures other than OTC derivatives or Credit derivatives	18,632,981	503,493	9,680,872
Defaulted exposures	35,582	–	14,040
Total for off balance sheet exposures	**21,392,398**	**503,493**	**10,076,715**
Total on and off balance sheet exposures	**172,052,171**	**2,597,298**	**17,773,717**

7.0 CREDIT RISK MITIGATION (CONT'D.)

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

The exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows: (cont'd.)

	31 March 2019 (Restated)*		
Exposures	**Exposures before CRM RM'000**	**Exposures covered by Guarantees RM'000**	**Exposures covered by Eligible Financial Collateral RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	11,191,498	–	–
PSEs	43,788	–	–
Banks, DFIs And MDBs	6,598,845	–	–
Insurance companies, Securities firms and Fund managers	30,040	–	–
Corporates	57,589,616	921,932	4,957,523
Regulatory retail	36,149,070	751,201	1,891,007
Residential mortgages	19,224,228	–	42,007
Higher risk assets	544,749	–	100
Other assets	1,941,237	–	–
Securitisation exposures	20,757	–	–
Equity exposures	76	–	–
Defaulted exposures	1,285,677	20,836	128,802
Total for on balance sheet exposures	**134,619,581**	**1,693,969**	**7,019,439**
Off balance sheet exposures			
OTC derivatives	1,856,891	–	310,019
Credit derivatives	16	–	–
Off balance sheet exposures other than OTC derivatives or Credit derivatives	17,700,149	205,061	8,447,994
Defaulted exposures	35,657	–	17,843
Total for off balance sheet exposures	**19,592,713**	**205,061**	**8,775,856**
Total on and off balance sheet exposures	**154,212,294**	**1,899,030**	**15,795,295**

* *Refer to Note 1 in Table 8.1.*

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

8.1 Off Balance Sheet exposures

The Group off balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivative Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the GRAF.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the marked to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confined to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the GRAF.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

8.2 Counterparty Credit Risk (cont'd.)

Table 8.1: Off Balance Sheet Exposures

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

	31 March 2020			
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	2,553,489		2,371,427	1,989,389
Transaction related contingent Items	4,286,704		2,234,294	1,748,743
Short Term Self Liquidating trade related contingencies	723,120		144,624	129,913
Forward Asset Purchases	1,989,103		69,188	67,538
Obligations under on-going underwriting agreements	20,000			
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,501,681		6,533,889	1,694
Foreign exchange related contracts				
One year or less	16,307,370	187,312	269,176	196,830
Over one year to five years	4,679,672	198,920	482,340	423,809
Over five years	472,438	16,062	59,887	59,887
Interest/Profit rate related contracts				
One year or less	752,863	1,517	5,031	2,396
Over one year to five years	2,591,736	35,575	76,149	24,594
Over five years	1,658,110	115,401	300,409	252,293
Equity and commodity related contracts				
One year or less	773,980	44,655	81,139	48,810
Other Commodity Contracts				
One year or less	863,875	161,629	231,227	213,780
Over one year to five years	205,257	24,838	27,688	20,020
Credit Derivative Contracts				
Over one year to five years	356,069	1,954	12	6
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	71,183,679	1,289,418	1,190,777	582,098
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,873,188		2,782,713	1,831,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,056,411		3,506,910	2,107,365
Unutilised credit card lines	5,127,590		1,025,518	764,476
Total	**139,976,335**	**2,077,281**	**21,392,398**	**10,465,501**

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

8.2 Counterparty Credit Risk (cont'd.)

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

The off balance sheet exposures and counterparty credit risk of the Group are as follows: (cont'd.)

Description	31 March 2019 (Restated)			
	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	2,590,041		2,730,291	2,186,367
Transaction related contingent Items	5,392,151		2,625,694	2,027,460
Short Term Self Liquidating trade related contingencies	900,886		180,177	162,390
Forward Asset Purchases	1,593,203		177,224	83,866
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (Note 1)	5,560,000		5,598,299	3,869
Obligations under an on-going underwriting agreements	100,000		–	–
Foreign exchange related contracts				
One year or less	15,552,024	67,932	164,665	107,587
Over one year to five years	1,758,012	35,993	120,037	80,763
Over five years	514,076	109,054	186,983	178,787
Interest/Profit rate related contracts				
One year or less	385,950	1,304	1,407	1,152
Over one year to five years	793,844	8,614	23,718	8,755
Over five years	2,223,428	43,448	230,448	171,390
Equity and commodity related contracts				
One year or less	318,228	3,590	22,362	14,475
Other Commodity Contracts				
One year or less	541,812	9,296	50,734	34,254
Over one year to five years	190,657	2,989	28,960	21,277
Credit Derivative Contracts				
Over one year to five years	345,108	5,417	16	8
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	73,174,047	476,286	1,027,577	411,854
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,558,502		1,430,368	1,138,817
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,910,184		3,958,832	2,513,032
Unutilised credit card lines	5,174,605		1,034,921	771,530
Total	**136,576,758**	**763,923**	**19,592,713**	**9,917,633**

Note 1:
2019 off balance sheet exposures have been restated to include counterparty credit risk for repo-style transactions, previously classified as on balance sheet exposure. There is no change to total risk weighted assets of the Group.

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

8.2 Counterparty Credit Risk (cont'd.)

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

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

		31 March 2020		31 March 2019	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
Group Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	206,069	150,000	195,108	150,000

* *Out of the total notional exposure for protection bought as at 31 March 2020, RM150,000,000 (31 March 2019: RM150,000,000) has no counterparty credit risk exposure because it is on a fully funded basis.*

9.0 SECURITISATION

9.1 Objectives, roles and involvement

AMMB Banking Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its structured finance/ debt capital markets services for its clients. The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities – the Group may purchase bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.0 SECURITISATION (CONT'D.)

9.2 Regulatory capital approaches used in the Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.3 Governance

The Group's Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.4 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 days past due, default rates, prepayment rates, etc, to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.5 SPV used in securitisation exercises

Third party exposures that have been securitised via SPVs include civil servant loans/financing, personal loans/financing and government-linked companies' staff housing loans.

9.6 Accounting Policies for Securitisation

The Group has sponsored SPVs involving assets of the Group. Such SPVs are consolidated where the Group has control as determined in accordance with MFRS 10, Consolidated Financial Statements.

Assets that have been transferred wholly or proportionately to an unconsolidated entity remain on the Group's statement of financial position, with a liability recognised for the proceeds received, unless:

(a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or
(b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

9.7 Use of external rating agencies

The Group uses the services of both RAM and MARC and where applicable, international rating agency for securitisation transactions purposes.

9.0 SECURITISATION (CONT'D.)

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

	31 March 2020			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Mortgage loans	998,970	–	990,128	–
Total Traditional Securitisation	**998,970**	**–**	**990,128**	**–**

	31 March 2019			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Mortgage loans	956,048	–	949,149	–
Total Traditional Securitisation	**956,048**	**–**	**949,149**	**–**

The Group did not have any expenses under synthetic securitisation as at 31 March 2020 and 31 March 2019.

9.0 SECURITISATION (CONT'D.)

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

Group Securitisation Exposures by Exposure Type	31 March 2020 Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights — Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	10,690	10,690	–	10,690	–	–	2,138
Originated by the Group							
On Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**10,780**	**10,780**	**–**	**10,690**	**–**	**90**	**3,263**

Group Securitisation Exposures by Exposure Type	31 March 2019 Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights — Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	20,661	20,661	–	20,661	–	–	4,132
Originated by the Group							
On Balance Sheet Exposures	96	96	–	–	–	96	1,199
Total Traditional Securitisation	**20,757**	**20,757**	**–**	**20,661**	**–**	**96**	**5,331**

There is no securitisation exposure under trading book as at 31 March 2020 and 31 March 2019.

10.0 OPERATIONAL RISK

The operational risk management process is depicted in the table below:

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Control Testing
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence. • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk (Please refer to Section 14 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non- financial risk or return attributes in order to support the achievement of the Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

- Fraud (internal and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC and the Board.

- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

10.0 OPERATIONAL RISK (CONT'D.)

Group Operational Risk maintains close working relationships with all Business and Functional Lines, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The ORM process contains the following ORM tools:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.

- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.

- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

- The Key Control Testing ("KCT") is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.

- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.

- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMC and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/Measurement	• Business Impact Analysis • Threat Assessment
Control/Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity plan
Monitoring/Review	• BCM plan testing and exercise • Review of BCM Plan • BCM Plan maintenance

The BCM function is an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and the establishing of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of the Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team and specialist units to ensure that the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace arrangements and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an integral part of the process to heighten BCM awareness and inculcate a business resiliency culture.

10.0 OPERATIONAL RISK (CONT'D.)

10.2 Cyber Risk Management

Cyber threat remained as the top for the financial industry, driven by the constantly evolving nature and sophistication of cyber threats and attack vectors. The Group recognises that cyber security 'is a journey, not a destination', and the resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information. To mitigate the risk, the Group introduced a cyber resilience framework in FY2020 to facilitate the Group's ability to anticipate, withstand, contain and/or promptly recover from cyber-attacks and events that disrupt usual business operations and/or services. The Group continues to enhance the cyber security controls framework, as well as continues ongoing initiatives to educate the employees and customers about cyber security and what they can do to protect data. In the financial year ended 31 March 2020, the Group broadened its technology risk management capabilities by setting up teams that have oversight over infrastructure security risk, application security risk and third party security risk.

10.3 Legal Risk

In all jurisdictions that the Group conducts its business, there could be potential legal risks arising from breaches of applicable laws, unenforceability of contracts, lawsuits, adverse judgement, failure to respond to changes in regulatory requirements and failure to protect assets (including intellectual properties) owned by the Group which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by Group Management Risk Committee/Group Management Committee ("GMRC/GMC"), upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks are appropriately managed.

10.4 Regulatory Compliance Risk

The Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

The Group believes in and embraces a stronger compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board and Senior Management lead by example.

The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

11.0 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibilities of Investment Banking and Markets Risk ("IBMR").

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.

Identification	• Identify market risks within existing and new products • Review market-related information such as market trends and economic data	
Assessment/Measurement	• Value-at-Risk ("VaR") • Loss Limit • Historical Stress Loss ("HSL")	• Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/Mitigation	• VaR Limit • Loss Limits /Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Concentration Limits • Position Size Limits	• Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting	

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.1 Traded Market Risk ("TMR") (cont'd.)

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss Limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls (e.g. Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

IBMR independently monitors risk exposures against limits on a daily basis. Portfolio market risk positions are independently monitored and reported by IBMR to GMRC, RMC and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits and to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.2 Non-Traded Market Risk ("NTMR")

NTMR refers to interest rate risk/rate of return risk in the banking book including those arising from balance sheet management activities as covered under the risk appetite.

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/Measurement	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 limits • EaR limits
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of the Group's capital.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk ("NTMR") (cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

The Board's oversight of IRR/RORBB is supported by the GALCO and GMRC. GMRC is responsible for the alignment of Group-wide risk appetite. GALCO reviews strategies to ensure a comfortable level of IRR/RORBB is maintained, taking into consideration the Group's business strategies and is responsible for overseeing the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, IRR/RORBB positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

The Group measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/Profit Rate Risk Framework.

IRR/RORBB exposures are monitored by IBMR and positions reported to the GALCO, GMRC, RMC and Board.

Table 11.2: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

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

	31 March 2020	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	57,716	(57,716)
Impact on Equity	(815,839)	897,628

	31 March 2019	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	62,680	(62,680)
Impact on Equity	(504,920)	561,306

12.0 EQUITIES (BANKING BOOK POSITIONS)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as equity investments that are taken for strategic and other objectives. Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Upon adoption of MFRS 9, management has elected at initial recognition to irrevocably designate certain equity investment not held for trading at FVOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income.

Table 12.1: Equity investments and capital requirement

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

	31 March 2020 RM'000	31 March 2019 RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	–	–
Value of unquoted (privately held) equities	593,551	524,213
Total	**593,551**	**524,213**
Net realised and unrealised gains/(losses)		
Cumulative realised gains from sales and liquidations	–	1,841
Total unrealised gains/(losses)	69,496	(3)
Total	**69,496**	**1,838**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	–	–
Equity investments subject to a 150% risk weight	890,327	786,320
Total	**890,327**	**786,320**
Total minimum capital requirement (8%)	**71,226**	**62,906**

13.0 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management process is depicted in the table below:

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/Measurement	• Liquidity Coverage Ratio ("LCR") • Depositor Concentration Ratios • Other Detailed Controls
Control/Mitigation	• LCR Limits • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned to the LCR policy issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board provides the liquidity risk management oversight including setting and reviewing the liquidity risk appetite and approves the Group's liquidity management strategy while GALCO is the core management committee established by the Board to oversee the overall liquidity management of the Group.

The Group has put in place a Contingency Funding Plan which is established by Capital and Balance Sheet Management ("CBSM") to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

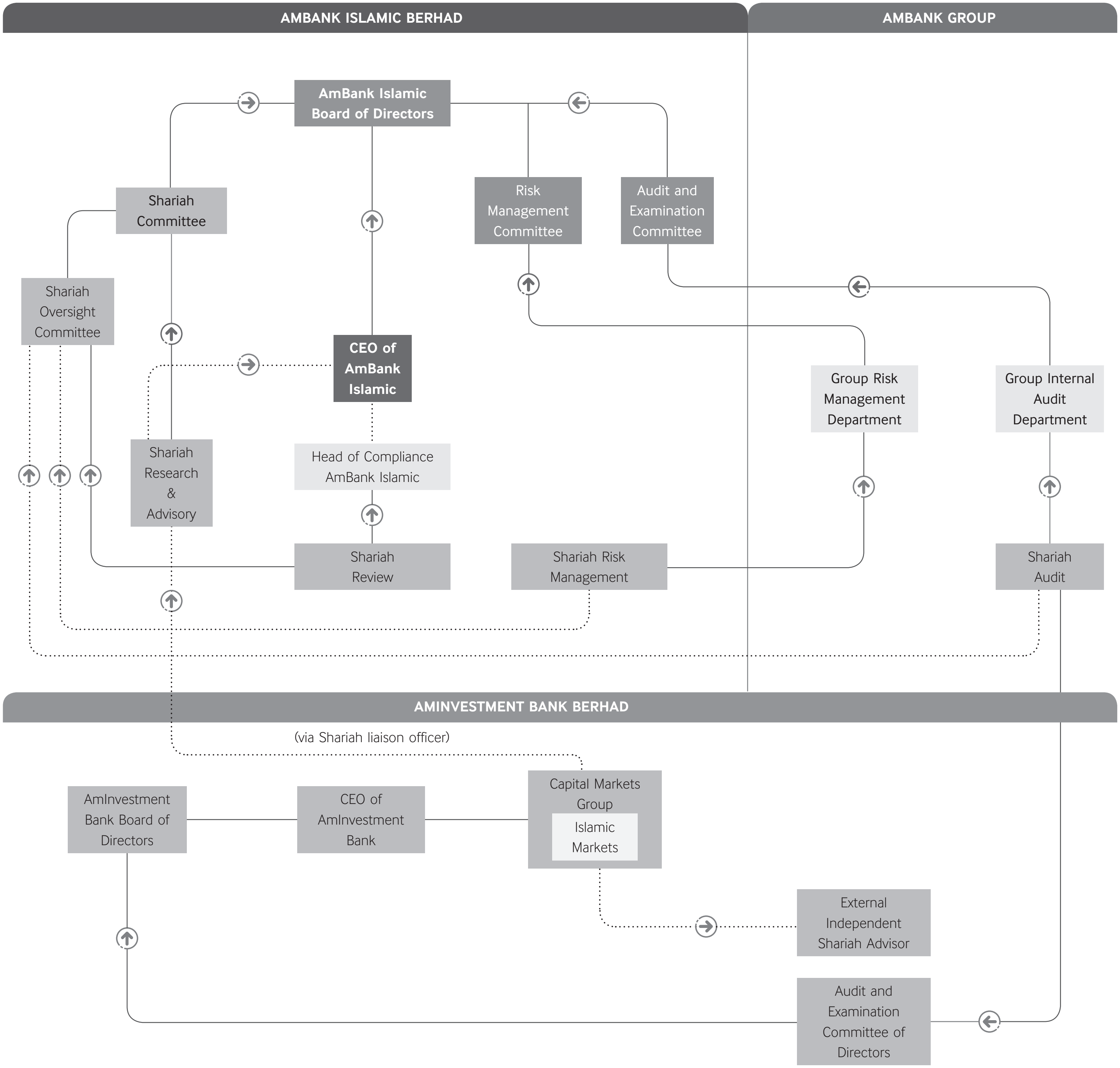
Various liquidity measurements have been put in place to support the broader strategic objectives of the Group and amongst others include the BNM LCR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the Group Treasury and Markets ("GTM") and CBSM are responsible to ensure the controls and limits are within the thresholds.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans/financing to customers. They are monitored using the loans/financing to available fund ratio, which compares loans/financing and advances to customers as a percentage of the Group's total available funds.

To measure the quality of the Group's funding sources, the composition of core funds indicators is monitored on a regular basis. The core funds is defined as deposits from retail and small business customers, operational deposits, non-financial institution deposits more than 1 year and debt instruments/long term borrowings more than 1 year.

In preparation for the implementation of BNM's Basel III Net Stable Funding Ratio ("NSFR") which will be effective 1 July 2020, the Group shall pursue strategies to ensure the availability of cost effective stable liquidity to meet the regulatory requirement.

14.0 SHARIAH GOVERNANCE STRUCTURE



14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic

AmBank Islamic has established its Shariah governance structure in accordance with the requirements of the Islamic Financial Services Act ("IFSA") and BNM's Shariah Governance Framework for Islamic Financial Institutions. This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Research & Advisory, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

Audit and Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department. The updates on Shariah Review are also presented to the AEC.

Risk Management Committee

RMC is a Board committee responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities as well as on Value-Based Intermediation ("VBI") initiatives.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on banking operations from Shariah perspective. In that regard, the Shariah Oversight Committee is responsible to oversee on Shariah aspects, the functions of Shariah Review, Shariah Risk Management, and Shariah Audit. The Shariah Oversight Committee also provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Management/Chief Executive Officer

The Management/Chief Executive Officer ("CEO") is responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management/CEO is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Research and Advisory

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

Shariah Risk Management

The Shariah Risk Management ("SRM") section, under Group Risk Management Department, is accountable to the RMC. The SRM is a function to systematically identify, measure, monitor and control Shariah non-compliance risks to mitigate any possible non-compliance events.

The management of Shariah risk is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st-The Business Units and Functional Lines; 2nd-Shariah Risk Management, Shariah Review, Shariah Research and Advisory; 3rd-Shariah Audit.

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Shariah Review

The Shariah Review Section is accountable to the Shariah Oversight Committee. The objective of the Shariah review function is to provide reasonable self-assurance for AmBank Islamic in its daily activities and operations, thus to add value and improve the degree of Shariah awareness and compliance.

Shariah Audit

The Shariah Audit Section is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking business and operations. The Shariah audit covers all activities particularly the operational components of AmBank Islamic (including functions outsourced to AmBank (M) Berhad or AmInvestment Bank Berhad) that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

The Group adopts a leverage model whereby, AmInvestment Bank through its Islamic Window i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Shariah Liaison Officer, IM

As per the leveraging model, AmInvestment Bank via IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Research & Advisory, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant lines of business ("LOBs") under the Group with regards to Islamic capital market products and services.

Shariah Risk Management

IM's Shariah Risk Management role is accountable to the RMC. A designated team namely the Shariah Risk Management team within the Group Operational Risk is responsible for the management of Shariah risk for the Bank. The Shariah Risk Management is a function to systematically identify, measure, monitor and control the occurrence of Shariah non-compliance risks and to mitigate any possible non-compliant events. Endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st- Capital Markets Group (via Islamic Markets unit) ; 2nd – Shariah Risk Management, the Bank's Compliance and the appointed Shariah Adviser (Shariah Committee and/or independent Shariah adviser), where applicable; 3rd – Group Internal Audit Department.

Shariah Review

The Shariah Review's role is to review the activities of Capital Markets Group which covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. Endorsement by the appointed Shariah adviser which is part of the requirements by the SC for all Islamic capital markets products serves as assurance that the Islamic capital markets products are Shariah compliant and ready for market distribution.

Shariah Non-Compliant Incidents and Income

For the financial year ended 31 March 2020, there were four (4) Shariah non-compliant ("SNC") incidents involving SNC income of approximately RM50,000.00 relating to the compounding of Late Payment Charges ("LPC") on excess amount of Cash Line Facility-i, extending Islamic financing facility to a customer that falls under red area for Islamic financing, extension of Cash Line Facility-i accounts without aqad and charging excess LPC in auction sale transaction. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. The Bank has implemented measures such as system enhancement, improving controls, process and manual, and will conduct training to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2019, there were no SNC incidents.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

Investment Account ("IA")

The Group via AmBank Islamic offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RIA") which refers to an IA where the customers provides a specific investment to AmBank Islamic and Unrestricted Investment Account ("UA") which refers to an IA where the customer provides AmBank Islamic with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RIA and UA are based on Shariah concept of Mudarabah Muqayyadah. Currently, the RIA arrangement undertaken by AmBank Islamic is with a subsidiary of the Group and is eliminated upon consolidation.

Mudarabah means a profit sharing contract between Investment Account Holder ("IAH") as the fund provider and AmBank Islamic as the fund manager in which the IAH provides capital to be managed by AmBank Islamic. Any profit generated from the capital is shared between IAH and AmBank Islamic in accordance with a mutually agreed profit-sharing ratio ("PSR"), whilst financial losses (if any) are solely borne by the IAH provided that such losses are not due to AmBank Islamic's misconduct, negligence or breach of specified terms. The IA is not covered by PIDM.

Mudarabah Term Investment Account ("MTIA")

AmBank Islamic has widened the scope of business beyond credit intermediation by acting the investment intermediation role via the introduction of UA product.

The investment mandate, strategy and parameters for UA are in accordance with the governance set up by AmBank Islamic to ensure effective and efficient oversight on business activities and operations of UA in safeguarding the customer's interest.

AmBank Islamic had established proper governance to facilitate effective monitoring and control of the overall management and conduct of the investment account. A management dedicated unit was established to ensure management development and implementation of operation policies that govern the conduct of IA are observed. On a periodical basis, a Fund Performance Report shall be made available in AmBank Islamic's website disclosing the performance of the underlying assets which in turn facilitates the IAH in making their investment decision.

MTIA Performance

As at 31 March 2020, balance of MTIA stood at RM192.6 million. The performance of MTIA is as described in the table below:

As at 31 March 2020	%
Return on Assets ("ROA")	4.59
Average Net Distributable Income Attributable to IAH	3.55
Average Profit Sharing Ratio to IAH	77.22

As at 31 March 2019, balance of MTIA stood at RM334.8 million. The performance of MTIA is as described in the table below:

As at 31 March 2019	%
Return on Assets ("ROA")	4.61
Average Net Distributable Income Attributable to IAH	3.85
Average Profit Sharing Ratio to IAH	83.58