AmInvestment Bank Berhad

Pillar 3 Disclosure

As at 30 September 2018

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Contents

1.0 Scope of Application

The Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) policy document issued by Bank Negara Malaysia (“BNM”) on 7 August 2010 (“Policy”) aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The Policy is applicable to all banking institutions licensed under the Financial Services Act 2013 (“FSA”).

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

The following information has been provided in order to highlight the capital adequacy of the Bank and its subsidiaries ("the Group"). The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

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 of the Group and the Bank are computed in accordance to the guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued by BNM on 2 February 2018. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

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. Financial institutions are also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%; and
(b) a Countercyclical Capital Buffer (CCyB) determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Bank has credit exposures

The CCB requirements shall be phased-in under the transitional arrangements starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.50%

Changes in accounting policies and regulatory requirements

Adoption of MFRS 9 Financial instruments

The Group adopted MFRS 9 Financial Instruments effective 1 April 2018. MFRS 9 replaces the provisions of MFRS 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting.

MFRS 9 requires all financial assets, other than equity instruments and derivatives, to be classified either at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI"), or at amortised cost on the basis of two criteria, namely the entity’s business model for managing the assets, as well as the instruments’ contractual cash flow characteristics.

The loan loss impairment methodology is fundamentally changed under MFRS 9 as it replaces MFRS 139’s incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The impairment requirements based on ECL approach is applicable for all loans and other debt financial assets not held at FVTPL, as well as loan commitments and financial guarantee contracts. The allowances for expected losses are determined based on the expected credit losses associated with the probability of default ("PD") in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the lifetime of the asset.

Compliance with BNM policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

BNM had issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions on 2 February 2018. Certain requirements in the policy documents have been revised in response to the changes in the loan loss impairment methodology arising from the expected credit loss approach under MFRS 9. Following the application of MFRS 9 impairment requirements, the revised policy documents require banking institutions and Islamic banking institutions to maintain, in aggregate, loss allowance for non-credit-impaired exposures (commonly referred to as Stage 1 and Stage 2 expected credit losses) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. This revised requirement has been applied in the computation of loss allowances for the Group.

1.0 Scope of Application (Cont'd.)

Compliance with BNM policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions (Cont'd.)

As permitted by the transitional provision of MFRS 9, comparative information in the financial statements and Pillar 3 Disclosure have not been restated. The financial effects due to adoption of MFRS 9 and compliance with BNM policy documents above are disclosed in Note 36 of the Condensed financial statements of the Group as at 30 September 2018. The financial effects disclosed included effect to the capital adequacy ratios arising from impact to capital base and risk weighted assets for changes which involved classification of financial instruments and the resultant remeasurement of these financial instruments in the new classification as well as new loan loss impairment methodology.

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 periods.

Medium and Location of Disclosure

These Pillar 3 disclosures of the Group are available on Group's corporate website at www.ambankgroup.com.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of the Bank comprise the financial statements of the Bank 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.

For purposes of this Pillar 3 Disclosures, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

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; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in calculation of capital adequacy at the banking subsidiary consolidated level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA and not engaged in financial activities	Equity accounted	Reported as investment and risk weighted

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

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

2.0 Capital Management

The capital and risk management of AMMB's banking subsidiaries ("AMMB Group") are collectively and centrally managed by the Capital and Balance Sheet Management department. The Group's capital management is focused on maintaining a strong capital position to support business growth and to meet the requirements of the Group's stakeholders including regulators, shareholders and rating agencies.
Strategic, business and capital plans are drawn up annually covering a 3-year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum capital structure are maintained by the Group to support its strategy.

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

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

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

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

The Group periodically assesses the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined.

The capital that the Group is required to hold is determined by its actual and forecasted statement of financial position, commitments & contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. 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 (Contd.)

GALCO proposes internal capital triggers and targets on an annual basis and operationally oversees compliance with the internal capital targets ("ICT") which are approved by the Board. For the period ended 30 September 2018, the Bank and the Group has been operating above the ICT.

The Capital and Balance Sheet Management department is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

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

Table 2.1: Capital Adequacy Ratios

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

	30.09.2018		31.03.2018	
	Group	Bank	Group	Bank
Before deducting proposed dividends:				
CET 1 Capital Ratio	39.778%	40.608%	45.466%	41.194%
Tier 1 Capital Ratio	39.778%	40.608%	45.466%	41.194%
Total Capital Ratio	40.203%	41.110%	45.713%	41.452%
After deducting proposed dividends:				
CET 1 Capital Ratio	38.221%	38.767%	32.349%	27.529%
Tier 1 Capital Ratio	38.221%	38.767%	32.349%	27.529%
Total Capital Ratio	38.646%	39.270%	32.596%	27.787%

(b) The capital adequacy ratios of the Islamic window of the Bank are as follows:

	30.09.2018 Islamic Window	31.03.2018 Islamic Window
CET 1 Capital Ratio	182.280%	179.983%
Tier 1 Capital Ratio	182.280%	179.983%
Total Capital Ratio	182.280%	179.983%

Notes:

(i) The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2016, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 2 February 2018, which is based on the Basel III capital accord.

Company No: 23742-V

Table 2.2 Risk-Weighted Assets and Capital Requirements

(a) The aggregated breakdown of Risk Weighted Assets ("RWA") by exposures in major risk category of the Group is as follows:

		30.09.18				
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**	**Total Risk Weighted Assets after effects of RIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**						
On balance sheet exposures						
Sovereigns/ Central banks		66,121	66,121	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		617,823	617,823	123,565	123,565	9,885
Corporates		351,439	183,492	108,029	108,029	8,642
Regulatory retail		35,865	3,240	2,427	2,427	194
Higher risk assets		2,990	2,990	4,485	4,485	359
Other assets		475,381	475,381	444,295	444,295	35,544
Defaulted exposures		10	10	16	16	1
Total for on balance sheet exposures		1,549,629	1,349,057	682,817	682,817	54,625
Off balance sheet exposures:						
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		32,114	7,800	7,627	7,627	610
Total for off balance sheet exposures		32,114	7,800	7,627	7,627	610
Total on and off balance sheet exposures		1,581,743	1,356,857	690,444	690,444	55,235
2. **Large exposures risk requirement**				-	-	-
3. **Market risk**	**Long Position**	**Short Position**				
Interest rate risk						
- General interest rate risk	305	306		5	5	0
Foreign currency risk	53,977	-		53,977	53,977	4,318
Equity risk						
- General risk	615	-		615	615	49
- Specific risk	615	-		615	615	49
Option risk	34,517	-		47,461	47,461	3,797
Total	90,029	306		102,673	102,673	8,213
4. **Operational risk**				491,624	491,624	39,330
5. **Total RWA and capital requirements**				1,284,741	1,284,741	102,778

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

(a) The aggregated breakdown of Risk Weighted Assets ("RWA") by exposures in major risk category of the Group is as follows: (Contd.)

	31.03.18					
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**	**Total Risk Weighted Assets after effects of RIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**						
On balance sheet exposures						
Sovereigns/ Central banks		64,397	64,397	-	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		858,967	858,967	171,793	171,793	13,743
Corporates		324,548	157,371	81,925	81,925	6,554
Regulatory retail		30,943	3,094	2,321	2,321	186
Higher risk assets		1,557	1,557	2,335	2,335	187
Other assets		674,903	674,903	653,767	653,767	52,301
Defaulted exposures		10	10	16	16	1
Total for on balance sheet exposures		1,955,325	1,760,299	912,157	912,157	72,972
Off balance sheet exposures:						
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		39,459	13,427	12,214	12,214	977
Total for off balance sheet exposures		39,459	13,427	12,214	12,214	977
Total on and off balance sheet exposures		1,994,784	1,773,726	924,371	924,371	73,949
2. **Large exposures risk requirement**				-	-	-
3. **Market risk**	**Long Position**	**Short Position**				
Interest rate risk /Rate of return risk						
- General interest rate risk/Rate of return risk	3,405	3,413		-	-	-
Foreign currency risk	47,244	425		47,244	47,244	3,780
Equity risk						
- General risk	1,020	-		1,020	1,020	82
- Specific risk	1,020	-		1,020	1,020	82
Option risk	55,903	-		76,867	76,867	6,149
Total	108,592	3,838		126,151	126,151	10,093
4. **Operational risk**				514,296	514,296	41,144
5. **Total RWA and capital requirements**				1,564,818	1,564,818	125,186

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

(b) The breakdown of RWA by exposure in each major risk category of the Islamic window of the Bank is as follows:

	30.09.18					
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**	**Total Risk Weighted Assets after effects of RIA RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**						
On balance sheet exposures						
Sovereigns/ Central banks		72	72	-	-	-
Banks, DFIs and MDBs		350,424	350,424	70,085	70,085	5,607
Other assets		5,689	5,689	5,689	5,689	455
Total for on balance sheet exposures		356,185	356,185	75,774	75,774	6,062
Off balance sheet exposures:						
Off balance sheet exposures other than Over the counter ("OTC") derivatives or credit derivatives		-	-	-	-	-
Total for off balance sheet exposures		-	-	-	-	-
Total on and off balance sheet exposures		356,185	356,185	75,774	75,774	6,062
2. **Large exposures risk requirement**		-	-	-	-	-
	Long Position	**Short Position**				
3. **Market risk**	**-**	**-**				
4. **Operational risk**				53,890	53,890	4,311
5. **Total RWA and capital requirements**				129,664	129,664	10,373

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

(b) The breakdown of RWA by exposures in major risk category of the Islamic window of the Bank is as follows: (Contd.)

	31.03.18					
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	Total Risk Weighted Assets after effects of RIA RM'000	Minimum capital requirement at 8% RM'000
1. **Credit risk**						
On balance sheet exposures						
Sovereigns/ Central banks		58	58	-	-	-
Banks, DFIs and MDBs		339,448	339,448	67,890	67,890	5,431
Other assets		6,620	6,620	6,620	6,620	530
Total for on balance sheet exposures		346,126	346,126	74,510	74,510	5,961
Off balance sheet exposures:						
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		-	-	-	-	-
Defaulted exposures						
Total for off balance sheet exposures		-	-	-	-	-
Total on and off balance sheet exposures		346,126	346,126	74,510	74,510	5,961
2. **Large exposures risk requirement**		-	-	-	-	-
	Long Position	**Short Position**				
3. **Market risk**	**-**	**-**				
Interest rate risk /Rate of return risk	-	-		-	-	-
- General interest rate risk/Rate of return ris	-	-		-	-	-
- Specific interest rate risk/Rate of return ris	-	-		-	-	-
Foreign currency risk	-	-		-	-	-
Equity risk	-	-		-	-	-
- General risk						-
- Specific risk						-
Option risk	-	-		-	-	-
Total	-	-		-	-	-
4. **Operational risk**				52,971	52,971	4,238
5. **Total RWA and capital requirements**				127,481	127,481	10,198

The Islamic window of the Group did not have Restricted Investment Account ("RIA") that qualifies as a risk absorbent as at 30 September 2018 and 31 March 2018.

3.0 Capital Structure

The capital structure of the Bank and the Group are made up of:
- Common Equity Tier 1 ("CET1") Capital;
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Ordinary Shares
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) Other Disclosed Reserves
Other disclosed reserves comprise the following:

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

(ii) Foreign Currency Translation Reserve/(Deficit)
Foreign exchange gains and losses arise from the translation of the financial statements of foreign subsidiaries, whose functional currencies are different from that of the Group's reporting currency.

(iii) Fair value Reserve
The Fair value reserve comprises fair value gains/ (net of fair value losses) on financial investments measured at 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 banking subsidiaries 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. Before adoption of MFRS 9, the fair value gains/(losses) on financial investments measured at FVOCI was taken up in Available-For-Sale Reserve/(Deficit).

(iv) Regulatory Reserve
Regulatory reserve is maintained in accordance with paragraph 10.5 of the the BNM's Policy Document on Financial Reporting as an additional credit risk absorbent. The amount of the regulatory reserve is deducted from the calculation of CET 1 Capital.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 capital are collective impairment provisions and regulatory reserves (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach) for credit risk and subordinated debt instruments. The Bank does not have any Tier 2 capital instruments in issuance.

Table 3.1: Capital Structure

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

	Group		Bank	
	30.09.18 RM'000	31.03.18 RM'000	30.09.18 RM'000	31.03.18 RM'000
CET1 Capital				
Ordinary shares	200,000	200,000	200,000	200,000
Retained earnings	267,510	470,006	296,154	474,802
Fair value reserve	1,089	-	1,089	-
Foreign exchange translation reserve	2,492	2,124	-	
Regulatory reserve	5,412	2,918	5,412	2,918
Capital reserve	2,815	2,815	-	
Merger reserve	82,115	82,115	-	
Less : Regulatory adjustments applied on CET1 capital				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(2,348)	(2,642)	(1,885)	(2,137)
Deferred tax assets	(5,592)	(6,523)	(3,650)	(4,085)
55% of fair value reserve	(599)	-	(599)	
Regulatory reserve attributable to loans and advances	(5,412)	(2,918)	(5,412)	(2,918)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
CET1 Capital/ Tier 1 Capital	**511,040**	**711,453**	**441,300**	**618,771**
Tier 2 Capital				
Collective impairment provisions and regulatory reserve	5,460	3,871	5,460	3,871
Less : Regulatory adjustments applied on Tier 2 Capital	-	-	-	-
Tier 2 Capital	**5,460**	**3,871**	**5,460**	**3,871**
Total Capital	**516,500**	**715,324**	**446,760**	**622,642**

*The portion of regulatory adjustments not deducted from Tier 2 Capital (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

Table 3.1: Capital Structure (Contd.)

The breakdown of risk weighted assets of the Group and the Bank in the various risk categories are as follows:

	Group		Bank	
	30.09.18 RM'000	31.03.18 RM'000	30.09.18 RM'000	31.03.18 RM'000
Credit risk	690,444	924,371	735,556	1,123,584
Market risk	102,673	126,151	77,391	105,011
Operational risk	491,624	514,296	273,792	273,498
Total risk weighted assets	1,284,741	1,564,818	1,086,739	1,502,093

(b) The components of CET1 Capital of the Islamic window of the Bank is as follows:

	30.09.18 RM'000	31.03.18 RM'000
CET1 Capital		
Capital Funds	30,000	30,000
Retained earnings	206,551	199,750
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(200)	(306)
CET1 capital/ Tier 1 capital/ Total capital	**236,351**	**229,444**

The breakdown of risk weighted assets of the Islamic window of the Bank in the various risk categories are as follows:

	30.09.18 RM'000	31.03.18 RM'000
Credit risk	75,774	74,510
Operational risk	53,890	52,971
Total risk weighted assets	129,664	127,481

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 equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the environment that the Group operates in.

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

AMMB Group Risk Direction

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

1 AMMB Group aspires to improve on its current external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").

2 AMMB Group aims to achieve and sustain a Return on Risk Weighted Assets ("RoRWA") in the range of 1.5% to 1.8% and a Risk Weighted Average ("RWA") efficiency (Risk Weighted Assets ("RWA")/ Exposure At Default ("EAD") in the range of 50% to 60%, both based on Foundation Internal Ratings Based ("FIRB").

3 AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").

4 AMMB Group recognizes the importance of funding its own business. It aims to maintain the following:
a. Liquidity Coverage Ratio ("LCR") at least 10 percentage points above prevailing regulatory minimum.
b. Net stable funding ratio ("NSFR") above the prevailing regulatory minimum (effective from 2019)
c. Stressed LCR above the regulatory requirement

5 AMMB Group aims to maintain the following capital adequacy ratios ("CARs") under normal conditions:
CET1, Tier 1 and total capital ratio of at least 1 percentage points above their respective regulatory minimum, including prescribed regulatory buffers.

6 AMMB 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 Profit after Tax ("PAT").
b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

7 AMMB Group aims to limit the Group's earnings volatility such that mean Adjusted Return volatility over a period of the last 3 years is Below 0.3**. **As per Perbadanan Insurans Deposit Malaysia ("PIDM") definition.

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, IT and Cyber risk.

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

5.0 Credit Risk Management

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits • Wholesale Pricing • Collateral & 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, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group transactions and/or positions as well as Shariah compliance risk (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 Bank's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

For retail credits, credit-scoring systems to better differentiate the quality of 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 loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

5.0 Credit Risk Management (Cont'd.)

Lending 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 to Value limits for asset backed loans (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 loan and advances pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans; and
- Setting guidelines on Wholesale Pricing which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be submitted to Board Credit Committee ("BCC") for review or approval, as the case may be. Portfolio credit risk is reported to the relevant management and board committees.

The GMRC regularly meets to review the quality and diversification of the Group's loans portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policy.

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairment, flow rates of loan 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 Standardized Approach to determine the regulatory capital charge related to credit risk exposure.

5.0 Credit Risk Management (Cont'd.)

5.1 Impairment

5.1.1 Definition of past due and impaired loans and advances

All loans and advances are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

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

A loans and advances is classified as impaired under the following circumstances:

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

(b) For loans where repayments are scheduled on intervals of 3 months or longer, the loan and advance is to be classified as impaired 1+30 days or 1 day +1 month past due (the 30-days grace period is to allow for exclusion of administrative default[3]).

(c) For trade bills/facilities, an account is deemed defaulted and impaired when the past due is 90 days from due date of the bill.

(d) A loans may also be classified as impaired:
   i. If it is probable that the bank will be unable to collect all amounts due (including both interest/ profit and principal) according to the contractual terms of the agreement; or
   ii. Due to cross-default. Cross-default occurs when:
      - a default of a loans obligation of a cutomer triggers a default of another loan obligation of the same customer or
      - a default of a loans obligation of a customer triggers a default of a loan obligation of other customers within the same customer group.

      The Watchlist and Classification Committee ("WACC") is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group; or

   iii. If deemed appropriate by the WACC or CACC.

(e) Debt instruments (for example, corporate bond and sukuk, debt converted instruments etc.) shall be classified as impaired
   i. When the coupon /interest/profit payment or face/nominal value redemption is one (1) day past due after the grace period, where there is a stipulated grace period within the contractually agreed terms; or
   ii. When an event of default (EOD) has been declared by the Trustee/ Facility Agent[4] for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the SC); or
   iii. Where it is deemed appropriate to classify as impaired and approved by the WACC.

(f) In the case of stock broking and futures broking:
   i. For margin loans, the account is impaired after 7 days when there is shortfall to the market value i.e. the collateral value is lower than the outstanding balance.
   ii. For futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer’s retention funds.

(g) The loans and advances is deemed impaired when it is classified as R&R in the Central Credit Reference Information System (“CCRIS”).

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

[2] Material obligation as determined by Management. Current “material” threshold is set at more than RM200.00

[3] Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.

[4] In cases where the bond/sukuk holdings are not governed by a Trust Deed, the Facility Agent may declare, if so requested in writing by the bond/sukuk holders by way of Special Resolution that an EOD has occurred (subject to the Agency Agreement between issuers and facility agent), notwithstanding the stated maturity of the bond/sukuk.

5.1 Impairment (Cont'd.)

5.1.2 Group Provisioning Methodology

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

MFRS 9 applies to all financial assets classified as amortised cost and fair value through other comprehensive income, 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. We calculate 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

Table 5.1: Distribution of gross credit exposures by sector

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

	30.09.18								
	Agriculture RM'000	Finance and Insurance RM'000	Government 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	-	-	66,121	-	-	-	-	-	66,121
Banks, DFIs and MDBs	-	617,823	-	-	-	-	-	-	617,823
Corporates	863	76,165	-	3,812	-	45,591	224,974	34	351,439
Regulatory retail	-	-	-	-	-	-	35,865	-	35,865
Higher risk assets	-	-	-	-	-	-	-	2,990	2,990
Other assets	-	104,343	-	-	18,768	-	53,263	299,007	475,381
Defaulted exposures	-	-	-	-	-	-	10	-	10
Total for on balance sheet exposures	863	798,331	66,121	3,812	18,768	45,591	314,112	302,031	1,549,629
Off balance sheet exposures									
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	1,690	`	6,765	23,659	-	32,114
Total for off balance sheet exposures	-	-	-	1,690	-	6,765	23,659	-	32,114
Total on and off balance sheet exposures	**863**	**798,331**	**66,121**	**5,502**	**18,768**	**52,356**	**337,771**	**302,031**	**1,581,743**

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

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

31.03.18	Agriculture RM'000	Mining and Quarrying RM'000	Finance and Insurance RM'000	Government 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	-	-	3,003	120	-	-	61,274	-	-	64,397
Banks, DFIs and MDBs	-	-	858,967	-	-	-	-	-	-	858,967
Corporates	862	-	76,147	-	3,809	-	47,847	195,876	7	324,548
Regulatory retail	-	-	-	-	-	-	-	30,943	-	30,943
Higher risk assets	-	-	-	-	-	-	-	-	1,557	1,557
Other assets	-	22	110,566	-	-	58,891	-	43,261	462,163	674,903
Defaulted exposures	-	-	-	-	-	-	-	10	-	10
Total for on balance sheet exposures	862	22	1,048,683	120	3,809	58,891	109,121	270,090	463,727	1,955,325
Off balance sheet exposures										
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	-	1,690	-	5,545	32,224	-	39,459
Total for off balance sheet exposures	-	-	-	-	1,690	-	5,545	32,224	-	39,459
Total on and off balance sheet		**-**								
exposures	**862**	**22**	**1,048,683**	**120**	**5,499**	**58,891**	**114,666**	**302,314**	**463,727**	**1,994,784**

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

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

	30.09.18			
	Business Activities RM'000	**Household RM'000**	**Not allocated RM'000**	**Total RM'000**
Impaired loans and advances	2,019	-	-	**2,019**
Individual allowance	2,019	-	-	**2,019**
Collective allowance	-	4	-	**4**
Charges/(Write-back) for individual allowances	(48)	-	-	**(48)**

	31.03.18			
	Business Activities RM'000	**Household RM'000**	**Not allocated RM'000**	**Total RM'000**
Impaired loans and advances	2,067	-	-	**2,067**
Individual allowances	2,067	-	-	**2,067**
Collective allowances	-	-	954	**954**
Charges/(Write-back) for individual allowances	(96)	-	-	**(96)**

Table 5.3: Geographical distribution of credit exposures

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

	30.09.18		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	66,121	-	66,121
Banks, DFIs and MDBs	576,324	41,499	617,823
Corporates	351,439	-	351,439
Regulatory retail	35,865	-	35,865
Higher risk assets	2,983	7	2,990
Other assets	474,577	804	475,381
Defaulted exposures	10	-	10
Total for on balance sheet exposures	1,507,319	42,310	1,549,629
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or credit	32,114	-	32,114
Total for off balance sheet exposures	32,114	-	32,114
Total on and off balance sheet exposures	**1,539,433**	**42,310**	**1,581,743**

	31.03.18		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	64,397	-	64,397
Public Sector Entities	-	-	-
Banks, DFIs and MDBs	821,878	37,089	858,967
Insurance companies, securities firms & fund managers	-	-	-
Corporates	324,548	-	324,548
Regulatory retail	30,943	-	30,943
Residential mortgages	-	-	-
Higher risk assets	1,550	7	1,557
Other assets	674,072	831	674,903
Specialised Financing/ Investment	-	-	-
Securitisation	-	-	-
Equity exposures	-	-	-
Defaulted exposures	10	-	10
Total for on balance sheet exposures	1,917,398	37,927	1,955,325
Off balance sheet exposures			
OTC derivatives	-	-	-
Credit derivatives	-	-	-
Off balance sheet exposures other than OTC derivatives or Credit	39,459	-	39,459
Defaulted exposures	-	-	-
Total for off balance sheet exposures	39,459	-	39,459
Total on and off balance sheet exposures	**1,956,857**	**37,927**	**1,994,784**

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

All amounts of impaired and past due loans and advances, individual and collective allowances reside in Malaysia and are as follows:

			30.09.18
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	2,019	-	2,019
Individual allowance	2,019	-	2,019
Collective allowance	4	-	4

			31.03.18
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	2,067	-	2,067
Individual allowance	2,067	-	2,067
Collective allowance	954	-	954

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 are as follows:

	30.09.18								
	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	123	-	-	-	61,141	-	4,857	-	66,121
Banks, DFIs and MDBs	609,608	8,215	-	-	-	-	-	-	617,823
Corporates	231,317	2,629	2,674	836	38,521	-	75,462	-	351,439
Regulatory retail	58	1	27	118	111	35,550	-	-	35,865
Higher risk assets	-	-	-	-	-	-	-	2,990	2,990
Other assets	457,649	-	-	-	-	-	-	17,732	475,381
Defaulted exposures	10	-	-	-	-	-	-	-	10
Total for on balance sheet exposures	1,298,765	10,845	2,701	954	99,773	35,550	80,319	20,722	1,549,629
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	9	189	3,231	2,112	40	-	26,533	-	32,114
Total for off balance sheet exposures	9	189	3,231	2,112	40	-	26,533	-	32,114
Total on and off balance sheet exposures	**1,298,774**	**11,034**	**5,932**	**3,066**	**99,813**	**35,550**	**106,852**	**20,722**	**1,581,743**

	31.03.18								
	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	120	-	-	-	31,107	30,167	3,003	-	64,397
Banks, DFIs and MDBs	858,967	-	-	-	-	-	-	-	858,967
Corporates	203,051	1,290	1,275	4,801	38,685	-	75,446	-	324,548
Regulatory retail	3	-	67	126	169	30,578	-	-	30,943
Higher risk assets	-	-	-	-	-	-	-	1,557	1,557
Other assets	656,327	-	-	-	-	-	-	18,576	674,903
Defaulted exposures	10	-	-	-	-	-	-	-	10
Total for on balance sheet exposures	1,718,478	1,290	1,342	4,927	69,961	60,745	78,449	20,133	1,955,325
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,284	1,321	1,318	3,521	723	-	28,292	-	39,459
Total for off balance sheet exposures	4,284	1,321	1,318	3,521	723	-	28,292	-	39,459
Total on and off balance sheet exposures	**1,722,762**	**2,611**	**2,660**	**8,448**	**70,684**	**60,745**	**106,741**	**20,133**	**1,994,784**

Table 5.6: Reconciliation of changes to loan impairment allowances

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

	30.09.18	
	Individual impairment allowance RM'000	**Collective impairment allowance RM'000**
Balance at beginning of financial year	2,067	954
Effect of adoption of MFRS 9	-	(948)
Restated balance at beginning of financial year	2,067	6
Charge for the period – net	(48)	(2)
Balance at end of financial period	2,019	4

	RM'000
Bad debts written off during the financial period	-
Bad debt recoveries during the financial period	-
	-

	31.03.18	
	Individual impairment allowance RM'000	**Collective impairment allowance RM'000**
Balance at beginning of financial year	2,163	705
Charge for the year – net	(96)	249
Balance at end of financial year	2,067	954

	(Charge off)/ recoveries
	RM'000
Bad debts written off during the financial year	-
Bad debt recoveries during the financial year	-
	-

6.0 Credit Risk Exposure under Standardised Approach

Depending on the exposure class, the ratings assigned by the External Credit Assessment Institutions ("ECAIs") are used by the Group:

- Moody’s Investors Service ("Moody’s")
- Fitch Rating ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

Internal credit rating grades assigned to corporate and retail lending business are currently aligned to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The ECAIs mapping is based on 1 year average cumulative default rates as per the latest available corporate default studies undertaken by Fitch, Moody's, RAM and MARC; and is incorporated in the Credit Risk Rating Policy.

6.0 Credit Risk Exposure under the Standardised Approach

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

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

	30.09.18								
	Exposures after netting and credit risk mitigation								
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	66,121	-	75,463	-	-	3	-	141,587	-
20%	-	617,823	-	-	-	38,855	-	656,678	131,336
75%	-	-	-	3,934	-	-	-	3,934	2,950
100%	-	-	115,134	-	-	436,524	-	551,658	551,658
150%	-	-	-	10	2,990	-	-	3,000	4,500
Total	66,121	617,823	190,597	3,944	2,990	475,382	-	1,356,857	690,444

	31.03.18								
	Exposures after netting and credit risk mitigation								
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	64,397	-	75,447	-	-	3	-	139,847	-
20%	-	858,967	-	-	-	26,415	-	885,382	177,076
75%	-	-	-	7,945	-	-	-	7,945	5,959
100%	-	-	90,501	-	-	648,484	-	738,985	738,985
150%	-	-	-	10	1,557	-	-	1,567	2,351
Total	64,397	858,967	165,948	7,955	1,557	674,902	-	1,773,726	924,371

Table 6.2: Rated Exposures according to Ratings by ECAIs

	30.09.18					
	Ratings of Corporate by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Corporates	375,025	-	-	-	-	375,025
Total	375,025	-	-	-	-	375,025

	31.03.18					
	Ratings of Corporate by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Corporates	350,617	-	-	-	-	350,617
Total	350,617	-	-	-	-	350,617

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

	30.09.18					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	66,121	-	66,121	-	-	-
Total	**66,121**	-	**66,121**	-	-	-

	31.03.18					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure Class	Moodys	Aaa to Aa3				
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	64,397	-	64,397	-	-	-
Total	**64,397**	-	**64,397**	-	-	-

	30.09.18					
	Ratings of Banking Institutions by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	617,823	44,562	21,912	132,620	-	418,729
Total	**617,823**	**44,562**	**21,912**	**132,620**	-	**418,729**

	31.03.18					
	Ratings of Banking Institutions by Approved ECAIs					
Exposure class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	858,967	40,657	18,054	359,851	-	440,405
Total	**858,967**	**40,657**	**18,054**	**359,851**	-	**440,405**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures	30.09.18 Exposures before CRM RM'000	30.09.18 Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	66,121	-
Banks, DFIs and MDBs	617,823	-
Corporates	351,439	206,606
Regulatory retail	35,865	32,876
Higher risk assets	2,990	-
Other assets	475,381	-
Defaulted exposures	10	-
Total for on balance sheet exposures	1,549,629	239,482
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	32,114	25,857
Total for off balance sheet exposures	32,114	25,857
Total on and off balance sheet exposures	**1,581,743**	**265,339**

Exposures	31.03.18 Exposures before CRM RM'000	31.03.18 Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	64,397	-
Banks, DFIs and MDBs	858,967	-
Corporates	324,548	194,185
Regulatory retail	30,943	28,116
Higher risk assets	1,557	-
Other assets	674,903	-
Defaulted exposures	10	-
Total for on balance sheet exposures	1,955,325	222,301
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	39,459	27,640
Total for off balance sheet exposures	39,459	27,640
Total on and off balance sheet exposures	**1,994,784**	**249,941**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

	30.09.18			
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		-	-	-
Obligations under an on going underwriting agreements	34,517		-	
Foreign exchange related contracts				
One year or less	306	-	-	-
Equity and commodity related contracts				
One year or less	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19		9	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	160,525		32,105	7,620
Total	**195,367**	**-**	**32,114**	**7,627**

	31.03.18			
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	-	-	-	-
Obligations under underwriting agreements agreements	55,903		-	
Foreign exchange related contracts				
One year or less	3,411	-	-	-
Equity and commodity related contracts				
One year or less	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19		9	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	197,249		39,450	12,207
Total	**256,582**	**-**	**39,459**	**12,214**

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

As at 30 September 2018 and 31 March 2018, the Group does not have any credit derivatives.

9.0 Securitisation

The Group and the Bank did not have any securitisation exposure in its trading and banking books nor did it undertake any securitisation activities during the current financial period and for the year ended 31 March 2018.

10.0 Non-Traded Market Risk

Table 10.1 : Market Risk Sensitivity-Interest Rate Risk / Rate of Return Risk in the Banking Book (IRR / RORBB)

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

Impact on Income Statement

	30.09.18		31.03.18	
Currency	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)
MYR	52	(52)	1,877	(1,877)

Impact on Equity

	30.09.18		31.03.18	
Currency	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)
MYR	(4,651)	5,156	(4,798)	5,310

11.0 Equities (Banking Book Positions)

11.1 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 investments not held for trading at FVOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income.

Table 11.1: Equity investments and capital requirement

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

	30.09.18	31.03.18
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	-	-
Value of unquoted (privately held) equities	2,890	1,457
Total	2,890	1,457
Net realised and unrealised gains/ (losses)		
Cumulative realised gains/ (losses) from sales and liquidations	-	177,258
Total unrealised gains/ (losses)	-	-
Total	-	177,258
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	-	-
Equity investments subject to a 150% risk weight	4,335	2,186
Total	4,335	2,186
Total minimum capital requirement (8%)	347	175

12.0 Liquidity Risk and Funding Management

The liquidity risk management of the Bank is aligned to BNM's policy document on Liquidity Coverage Ratio ("LCR") issued by BNM on 31 March 2015.

13.0 Shariah Non-Compliant Income

There had been no Shariah non-compliant incidents and income for the financial period ended 30 September 2018 and year ended 31 March 2018.