AMMB Banking Group

Pillar 3 Disclosure

30 September 2018

RWCAF- Pillar 3 Disclosure
(Applicable to the regulated banking subsidiaries of the Group)
For 30 September 2018

Contents

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") on 7 August 2010 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").

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an aggregated basis. The information provided has been verified by the Group internal auditors and certified by the Group 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. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are available via our website at www.ambankgroup.com.

The capital adequacy ratios are computed in accordance to the guidelines on Capital Adequacy Framework (Capital Components), Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued by BNM on 2 February 2018. 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. The Group's banking subsidiaries 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	2.5%

AMMB, being a financial holding company ("FHC") will be required to comply with the above BNM guidelines on minimum capital adequacy ratios at the consolidated level for FHC effective 1 January 2019.

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. Certain investments in corporate bonds and sukuk that were classified as available-for-sale under MFRS 139 qualified for classification at amortised cost under MFRS 9 as they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. The reclassification has been effected by way of a retrospective application of the effective interest method and accordingly, the related cumulative fair value loss has been reversed on 1 April 2018. In addition, certain debt investments did not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and have been accordingly classified at FVTPL with related fair value loss recognised in retained earnings on 1 April 2018.

1.0 Scope of Application (Cont'd.)

Changes in accounting policies and regulatory requirements (cont'd.)

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.

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 A42 *Changes in accounting policies* in 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 period.

Medium and Location of Disclosure

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

1.0 Scope of Application (Cont'd.)

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.

For purposes of this Pillar 3 Disclosure, 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 the 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 the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA or 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 Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the AMMB's banking subsidiaries 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.

2.0 Capital Management (Cont'd.)

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

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

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

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

The capital that the Group is required to hold is determined by its actual and forecasted statement of financial position, commitments and 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.

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 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

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

	30.09.18			
	AmBank	**AmBank Islamic**	**AmInvestment Bank**	**Group ***
Before deducting proposed dividends:				
CET1 Capital ratio	11.384%	11.533%	40.608%	11.854%
Tier 1 Capital ratio	12.329%	11.533%	40.608%	12.535%
Total Capital ratio	16.175%	16.337%	41.110%	16.602%
After deducting proposed dividends:				
CET1 Capital ratio	10.963%	11.354%	38.767%	11.483%
Tier 1 Capital ratio	11.907%	11.354%	38.767%	12.163%
Total Capital ratio	15.754%	16.157%	39.270%	16.231%

	31.03.18			
	AmBank	**AmBank Islamic**	**AmInvestment Bank**	**Group ***
Before deducting proposed dividend:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.723%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	12.413%
Total Capital ratio	16.451%	16.569%	41.452%	17.024%
After deducting proposed dividend:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.270%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.960%
Total Capital ratio	16.109%	16.569%	27.787%	16.571%

Notes:

(i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Bank Negara Malaysia on 2 February 2018, 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 Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 2 February 2018.

(ii) Group* figures presented in this Report represent an **aggregation** of the capital positions and risk weighted assets ("RWA") of our three regulated banking institutions (consolidated for AmBank and AmInvestment Bank). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	30 SEPTEMBER 2018						
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		7,533,393	7,533,393	20,361	-	20,361	1,629
Public Sector Entities ("PSEs")		41,197	41,197	8,240	-	8,240	659
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		9,836,915	8,794,475	1,760,225	-	1,760,225	140,818
Insurance companies, Securities firms and Fund managers		10,316	10,316	10,316	-	10,316	825
Corporates		57,080,900	54,453,254	44,530,730	1,861,142	42,669,588	3,413,567
Regulatory retail		35,849,335	34,525,008	27,436,224	177,744	27,258,480	2,180,678
Residential mortgages		18,342,249	18,331,950	6,950,856	-	6,950,856	556,068
Higher risk assets		542,331	542,251	813,375	-	813,375	65,070
Other assets		1,704,813	1,704,813	1,377,246	-	1,377,246	110,180
Securitisation exposures		20,785	20,785	6,054	-	6,054	484
Equity exposures		94	94	94	-	94	8
Defaulted exposures		1,261,744	1,242,317	1,343,137	-	1,343,137	107,451
Total for on balance sheet exposures		132,224,072	127,199,853	84,256,858	2,038,886	82,217,972	6,577,437
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,554,594	2,342,765	1,315,668	-	1,315,668	105,254
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,561,411	10,429,365	9,112,660	-	9,112,660	729,012
Defaulted exposures		46,800	34,860	52,184	-	52,184	4,175
Total for off balance sheet exposures		15,162,819	12,807,004	10,480,519	-	10,480,519	838,442
Total on and off balance sheet exposures		147,386,891	140,006,857	94,737,377	2,038,886	92,698,491	7,415,879
2. **Large exposures risk requirement**				541,042	-	541,042	43,283
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	108,917,496	97,849,515		2,037,531	-	2,037,531	163,003
- Specific interest rate risk/rate of return risk	11,657,664	802,867		167,039	-	167,039	13,363
Foreign currency risk	320,938	166,782		333,909	-	333,909	26,712
Equity risk							
- General risk	86,323	45,278		41,045	-	41,045	3,284
- Specific risk	86,323	45,278		168,758	-	168,758	13,501
Option risk	1,178,400	773,922		144,875	-	144,875	11,589
Total	122,247,144	99,683,642		2,893,157	-	2,893,157	231,452
4. **Operational risk**				5,911,690	-	5,911,690	472,936
5. **Total RWA and capital requirements**				104,083,266	2,038,886	102,044,380	8,163,550

As part of an arrangement between AmBank and AmBank Islamic in relation to Profit Sharing Investment Account ("PSIA") agreements, AmBank records as Investment account its exposure in the arrangement, whereas AmBank Islamic records its exposure as "financing and advances". The PSIA is a contract based on Shariah concept of Mudarabah Muqayyadah between AmBank and AmBank Islamic to finance specific business ventures where by AmBank solely provides capital and the business ventures are managed solely by AmBank Islamic as the entrepreneur. The PSIA exposes AmBank to the risks and rewards of the financing, and accordingly AmBank accounts for all impairment allowances and risk-weighted assets arising from the PSIA arrangement.

As at 30 September 2018, the gross exposure and collective allowance relating to the PSIA financing financed by AmBank are RM1,861.1 million and RM6.2 million (31 March 2018:RM2,869.6 million and RM2.7 million respectively). There was no individual allowance provided for the PSIA financing. Risk weight on PSIA assets financed by AmBank are accounted for in the computation of capital adequacy of AmBank.

PSIA assets excluded from the risk-weighted capital adequacy computation of AmBank Islamic for 30 September 2018 amounted to RM2,038.9 million (31 March 2018: RM2,988.1 million).

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

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

	31 MARCH 2018						
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		5,304,410	5,304,410	-	-	-	-
Public Sector Entities ("PSEs")		40,802	40,802	8,160	-	8,160	653
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		6,970,934	6,970,934	1,425,549	-	1,425,549	114,044
Insurance companies, Securities firms and Fund managers		9,775	9,775	9,775	-	9,775	782
Corporates		54,514,132	52,428,185	44,623,351	2,869,566	41,753,785	3,340,302
Regulatory retail		35,600,800	34,670,975	27,311,726	118,569	27,193,157	2,175,453
Residential mortgages		16,882,162	16,869,103	6,353,396	-	6,353,396	508,272
Higher risk assets		339,655	339,577	509,364	-	509,364	40,749
Other assets		2,194,253	2,194,253	1,838,814	-	1,838,814	147,105
Securitisation exposures		42,970	42,970	10,591	-	10,591	847
Equity exposures		104	104	104	-	104	8
Defaulted exposures		1,230,023	1,209,465	1,367,284	-	1,367,284	109,382
Total for on balance sheet exposures		123,130,020	120,080,553	83,458,114	2,988,135	80,469,979	6,437,597
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,400,364	2,147,838	1,146,414	-	1,146,414	91,713
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,746,854	10,739,321	9,401,757	-	9,401,757	752,140
Defaulted exposures		33,620	22,056	32,934	-	32,934	2,634
Total for off balance sheet exposures		15,180,852	12,909,229	10,581,112	-	10,581,112	846,488
Total on and off balance sheet exposures		138,310,872	132,989,782	94,039,226	2,988,135	91,051,091	7,284,085
2. **Large exposures risk requirement**				373,899	-	373,899	29,912
3. **Market risk**	**Long Position**	**Short Position**					
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	115,881,469	106,761,483		2,046,902	-	2,046,902	163,752
- Specific interest rate risk/rate of return risk	9,507,957	249,711		198,148	-	198,148	15,852
Foreign currency risk	256,494	592,545		699,991	-	699,991	56,000
Equity risk							
- General risk	110,767	34,098		76,669	-	76,669	6,134
- Specific risk	110,767	34,098		137,758	-	137,758	11,021
Option risk	1,461,172	735,720		105,133	-	105,133	8,410
Total	127,328,626	108,407,655		3,264,601	-	3,264,601	261,169
4. **Operational risk**				5,896,314	-	5,896,314	471,706
5. **Total RWA and capital requirements**				103,574,040	2,988,135	100,585,905	8,046,872

3.0 Capital Structure

Table 3.3 Capital Structure summarises the aggregated capital position of the Group. The capital structure are 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) Other Disclosed Reserves
Other disclosed reserves comprise the following:

(i) Capital Reserve and Merger Reserve
The capital reserve and merger reserve of the banking subsidiaries represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring 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 operations, 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) Available-For-Sale Reserve/(Deficit)
Available-for-sale reserve/(deficit) is in respect of fair value gains/(losses) on financial investments available-for-sale. Where the fair value changes is a net gain outstanding balance, the banking subsidiaries can recognise 45% of the total outstanding balance as part of CET1 Capital. Where the fair value changes is a net loss outstanding balance, the entire outstanding balance is deducted in CET1 Capital.

3.1 CET 1 Capital (Cont'd.)

(d) 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.

(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 CET 1 Capital.

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 of BNM's Capital Adequacy Framework (Capital Components), 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 Additional Tier 1 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 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013		
Instruments	**RM'000**	
Non-cumulative Non-voting Guaranteed Preference Shares	750,100	Note 1
Innovative Tier 1 Capital - Tranche 1	300,000	
Innovative Tier 1 Capital - Tranche 2	185,000	
Non-Innovative Tier 1 Capital - Tranche 1	200,000	
Non-Innovative Tier 1 Capital - Tranche 2	300,000	
Total qualifying base	**1,735,100**	

Note 1
Repaid in full on its first call date of 27 January 2016.

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%	-

3.2 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 in issue and their primary terms are as follows:

(a) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per 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.

(b) Non-innovative Tier 1 Capital

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

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities").

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

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

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

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

3.3 Tier 2 capital

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

3.3 Tier 2 capital (Cont'd.)

Medium Term Notes

In the financial year ended 31 March 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

The MTNs issued under the MTN Programme was included as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are eligible for gradual phase-out treatment under the transitional arrangement of the Basel III accord, for recognition as Tier 2 Capital for capital adequacy calculation.

During the financial period, on the first call date of 9 April 2018, AmBank fully redeemed tranche 6 with nominal value of RM600.0 million and cancelled the programme. As at 30 September 2018, there are no outstanding MTN in issue.

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 30 September 2018 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
30 December 2013	31 December 2018	10 years Non-Callable 5 years	5.20% per annum	400
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
Total				**1,995**

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.

3.3 Tier 2 capital (Cont'd.)

Basel III Subordinated Su

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2018 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
28 February 2014	28 February 2019	10 years Non-Callable 5 years	5.07% per annum	200
25 March 2014	25 March 2019	10 years Non-Callable 5 years	5.05% per annum	150
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
Total				**1,000**

Table 3.3: Capital Structure

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

	30.09.18			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
Ordinary share capital (Note 1)	1,940,465	1,387,107	200,000	3,527,572
Retained earnings	6,733,454	1,805,249	296,154	8,745,144
Fair value reserve	209,178	20,108	1,089	230,321
Foreign exchange translation reserve	90,056	-	-	88,695
Regulatory reserve	276,569	163,187	5,412	445,168
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	834	-	-	834
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(383,668)	(1,425)	(1,885)	(387,441)
Deferred tax assets	(101,455)	(26,359)	(3,650)	(133,457)
Cash flow hedging reserve	(834)	-	-	(834)
55% of cumulative fair value gains in Fair value reserve	(115,048)	(11,059)	(599)	(126,676)
Regulatory reserve	(276,569)	(163,187)	(5,412)	(445,168)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	-
CET1 Capital	8,364,494	3,173,621	441,300	12,096,795
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	2
Tier 1 Capital	9,058,534	3,173,621	441,300	12,790,837
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	2,995,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	831,492	321,837	5,460	1,155,560
Tier 2 Capital	2,826,492	1,321,837	5,460	4,150,561
Total Capital	**11,885,026**	**4,495,458**	**446,760**	**16,941,398**

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

Credit RWA	66,519,340	27,785,872	735,556	94,737,377
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,038,886)	-	(2,038,886)
Total Credit RWA	66,519,340	25,746,986	735,556	92,698,491
Market RWA	2,424,446	365,478	77,391	2,893,157
Operational RWA	3,990,696	1,404,676	273,792	5,911,690
Large exposure risk RWA for equity holdings	541,042	-	-	541,042
Total RWA	**73,475,524**	**27,517,140**	**1,086,739**	**102,044,380**

Note 1:

On 28 June 2018, AmBank increased its issued and paid-up ordinary share capital by RM177.3 million through the issuance of 16,489,024 new ordinary shares at an issue price of RM10.75 per ordinary share. The new ordinary shares issued during the current financial period rank pari passu in all respects with the existing ordinary shares of AmBank.

***** Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

Table 3.3: Capital Structure (Cont'd.)

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

	31.03.18			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,387,107	200,000	3,350,315
Retained earnings	6,700,583	1,632,472	474,802	8,744,009
Available-for-sale deficit	(23,518)	(5,492)	-	(28,879)
Foreign exchange translation reserve	52,974	-	-	51,199
Regulatory reserve	372,133	327,683	2,918	702,734
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,174	-	-	3,174
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(400,376)	(1,207)	(2,137)	(404,225)
Deferred tax assets	(66,637)	-	(4,085)	(73,182)
Cash flow hedging reserve	(3,174)	-	-	(3,174)
Regulatory reserve	(372,133)	(327,683)	(2,918)	(702,734)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	-
CET1 Capital	8,017,746	3,012,880	618,771	11,791,874
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	2
Tier 1 Capital	8,711,786	3,012,880	618,771	12,485,916
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	2,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	600,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,042,898
Tier 2 Capital	3,329,013	1,305,028	3,871	4,637,899
Total Capital	**12,040,799**	**4,317,908**	**622,642**	**17,123,815**

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

Credit RWA	65,981,322	27,390,400	1,123,584	94,039,226
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(2,988,135)
Total Credit RWA	65,981,322	24,402,265	1,123,584	91,051,091
Market RWA	2,861,798	277,093	105,011	3,264,601
Operational RWA	3,973,753	1,380,469	273,498	5,896,314
Large exposure risk RWA for equity holdings	373,899	-	-	373,899
Total RWA	**73,190,772**	**26,059,827**	**1,502,093**	**100,585,905**

***** Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

****** The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment 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 BNM's guidelines on Capital Adequacy Framework (Capital Components).

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/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. 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 an RWA efficiency (RWA/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. Stressed LCR above the regulatory requirement;
   c. Net Stable Funding Ratio ("NSFR") above the prevailling regulatory minimum (effective from 2019).
5. AMMB Group aims to maintain the following Capital Adequacy Ratios ("CAR") under normal conditions:
   CET 1, Tier 1 and Total Capital Ratio of at least 1 percentage point 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 PATMI*.
   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 Insurance Deposit Malaysia ("PIDM") definition)

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The Risk Management Committees 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 management committees 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; 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 organization.

*Profit after tax and non-controlling interests.

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, • Whosale pricing • 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 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.

5.0 Credit Risk Management (Cont'd.)

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

- Concentration 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; 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 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 Group Risk Appetite Framework ("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/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

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

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans, Advances and Financing

All loans, advances and financing 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 loan is classified as impaired under the following circumstances:

(a) when the principal or interest 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/financing where repayments are scheduled on intervals of 3 months or longer, the loan/financing 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 default and impaired when the past due is 90 days from due date of the bill.

(d) a loan/financing may also be classified as impaired:
   i. if it is probable that the Group 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 loan/financing obligation of a borrower triggers a default of another loan/financing obligation of the same borrower or
      - a default of a loan/financing obligation of a borrower triggers a default of a loan/financing obligation of other borrowers within the same borrower group.

      The Watchlist & 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 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 Deed Guidelines issued by the Securities Commission of Malaysia); 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 loan/financing, the account is impaired after 7 days when there is shortfall to 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 loan/ financing is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

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.

[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.

Table 5.1: Distribution of gross credit exposures by sector
The aggregated distribution of credit exposures by sector of AMMB Banking Group is as follows:

30 SEPTEMBER 2018	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication 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	-	-	-	-	-	-	-	-	7,533,393	-	-	-	-	-	7,533,393
PSEs	-	-	-	-	-	-	-	-	-	-	41,197	-	-	-	41,197
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,836,915	-	-	-	-	-	-	9,836,915
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	10,316	-	-	-	-	-	-	10,316
Corporates	3,288,820	1,947,334	9,788,000	1,841,165	6,403,753	5,440,326	4,602,644	7,104,785	-	8,626,052	3,247,133	2,719,135	2,071,534	219	57,080,900
Regulatory retail	40,171	6,857	297,961	19,486	149,373	322,983	91,386	4,073	-	90,558	189,928	54,567	34,578,316	3,676	35,849,335
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	18,342,249	-	18,342,249
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,345	522,986	542,331
Other assets	-	-	-	-	-	-	-	104,343	-	-	18,768	-	53,263	1,528,439	1,704,813
Securitisation exposures	-	-	-	-	-	-	-	20,785	-	-	-	-	-	-	20,785
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	94	94
Defaulted exposures	89	78,000	128,377	23	15,253	53,832	66,999	-	-	351,539	15,188	9,909	541,145	1,390	1,261,744
Total for on balance sheet exposures	3,329,080	2,032,191	10,214,338	1,860,674	6,568,379	5,817,141	4,761,029	17,081,217	7,533,393	9,068,149	3,512,214	2,783,611	55,605,852	2,056,804	132,224,072
Off balance sheet exposures															
OTC derivatives	10,922	-	134,675	588	272	12,682	317,757	1,912,378	-	5,349	102,741	48,521	8,709	-	2,554,594
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	237,324	659,845	2,263,206	337,880	3,244,085	915,678	563,004	335,296	-	817,200	371,146	130,063	2,686,034	650	12,561,411
Defaulted exposures	-	181	19,748	-	1,931	270	46	-	-	13,257	81	-	11,286	-	46,800
Total for off balance sheet exposures	248,246	660,026	2,417,629	338,468	3,246,288	928,630	880,807	2,247,688	-	835,806	473,968	178,584	2,706,029	650	15,162,819
Total on and off balance sheet exposures	**3,577,326**	**2,692,217**	**12,631,967**	**2,199,142**	**9,814,667**	**6,745,771**	**5,641,836**	**19,328,905**	**7,533,393**	**9,903,955**	**3,986,182**	**2,962,195**	**58,311,881**	**2,057,454**	**147,386,891**

Table 5.1: Distribution of gross credit exposures by sector (Cont'd.)
The aggregated distribution of credit exposures by sector of AMMB Banking Group is as follows:

	31 MARCH 2018														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication 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	5,015,560	-	-	285,847	-	-	5,304,410
PSEs	-	-	-	-	-	-	-	-	-	-	123	40,679	-	-	40,802
Banks, DFIs and MDBs	-	-	-	-	-	-	-	6,970,934	-	-	-	-	-	-	6,970,934
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	9,775	-	-	-	-	-	-	9,775
Corporates	3,321,999	2,749,685	9,983,058	1,425,415	6,332,719	5,517,113	2,951,188	7,356,138	-	8,574,959	1,471,551	2,993,221	1,589,292	247,794	54,514,132
Regulatory retail	37,342	7,796	221,944	7,853	114,930	252,460	39,619	3,836	-	84,138	102,108	104,831	34,595,167	28,776	35,600,800
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	16,882,162	-	16,882,162
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,510	320,145	339,655
Other assets	-	22	-	-	-	-	-	110,566	-	-	58,891	-	43,261	1,981,513	2,194,253
Securitisation exposures	-	-	-	-	-	-	-	20,822	-	22,148	-	-	-	-	42,970
Equity exposures	-	-	7	-	-	-	-	-	-	-	-	-	-	97	104
Defaulted exposures	762	78,766	55,381	1	21,523	31,868	70,218	-	-	432,193	16,157	20,157	502,264	733	1,230,023
Total for on balance sheet exposures	3,360,103	2,836,269	10,260,390	1,433,269	6,469,172	5,801,441	3,061,025	14,475,074	5,015,560	9,113,438	1,648,830	3,444,735	53,631,656	2,579,058	123,130,020
Off balance sheet exposures															
OTC derivatives	15,539	200,580	135,598	-	1,487	12,858	64,914	1,885,886	-	6,286	8,928	59,384	8,575	329	2,400,364
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	263,425	617,333	2,099,661	306,208	3,258,899	973,473	514,470	342,813	-	945,251	335,336	243,801	2,840,592	5,592	12,746,854
Defaulted exposures	-	57	1,837	-	4,577	415	188	-	-	13,995	398	-	12,072	81	33,620
Total for off balance sheet exposures	278,964	817,970	2,237,096	306,208	3,264,963	986,746	579,572	2,228,713	-	965,532	344,662	303,185	2,861,239	6,002	15,180,852
Total on and off balance sheet exposures	**3,639,067**	**3,654,239**	**12,497,486**	**1,739,477**	**9,734,135**	**6,788,187**	**3,640,597**	**16,703,787**	**5,015,560**	**10,078,970**	**1,993,492**	**3,747,920**	**56,492,895**	**2,585,060**	**138,310,872**

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

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

	30 SEPTEMBER 2018														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotels and Restaurants	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	125	79,666	160,391	5,656	32,336	93,018	69,476	-	549,850	11,021	19,042	696,175	3,059	-	**1,719,815**
Past due loans / financing	13,647	78,195	199,598	6,140	139,341	161,785	95,446	9,537	567,330	239,865	43,523	10,170,956	9,400	-	**11,734,763**
Individual allowance	-	1,766	31,215	5,540	11,489	27,906	1,257	-	197,780	2,030	160	1,281	-	-	**280,424**
Collective allowance	7,871	6,816	159,315	3,366	23,209	39,652	17,883	11,785	40,688	8,668	2,247	724,398	2,442	35,979	**1,084,319**
Charges / (writeback) for individual allowance	-	2,843	22,715	109	5,589	27,224	(268)	-	25,229	(330)	632	(4,105)	-	-	**79,638**
Write-offs against individual allowance and other movements	-	10,253	3,527	1,600	1,269	3,626	2,247	-	22,575	740	3,584	-	-	-	**49,421**

Impaired and past due loans, advances and financing, Individual and collective allowances by sector

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

	31 MARCH 2018 (Restated)														
	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotels and Restaurants	Transport, Storage and Communication	Finance and Insurance	Real Estate	Business Activities	Education and Health	Household	Others	Not allocated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	836	86,517	83,010	7,140	46,033	43,944	85,956	-	599,355	11,823	24,192	647,233	2,366	-	**1,638,405**
Past due loans / financing	16,397	79,036	141,431	2,091	98,030	103,068	114,220	267	442,947	47,889	37,830	9,946,571	4,375	-	**11,034,152**
Individual allowance	-	7,707	11,395	7,030	4,201	4,283	3,603	-	160,182	2,802	3,140	4,139	-	-	**208,482**
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	732,038	**732,038**
Charges / (writeback) for individual allowance	-	16,003	39,085	16,148	415	10,199	3,282	-	15,403	(456)	3,140	1,932	-	-	**105,151**
Write-offs against individual allowance and other movements	-	38,367	81,856	14,557	-	6,518	398	-	9,163	-	-	4,807	-	-	**155,666**

Table 5.3: Geographical distribution of credit exposures

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

	30 SEPTEMBER 2018		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	7,413,496	119,897	7,533,393
PSEs	41,197	-	41,197
Banks, DFIs and MDBs	8,411,076	1,425,839	9,836,915
Insurance companies, Securities firms and Fund managers	10,316	-	10,316
Corporates	55,277,872	1,803,028	57,080,900
Regulatory retail	35,849,335	-	35,849,335
Residential mortgages	18,342,249	-	18,342,249
Higher risk assets	542,321	10	542,331
Other assets	1,610,352	94,461	1,704,813
Securitisation exposures	20,785	-	20,785
Equity exposures	94	-	94
Defaulted exposures	1,167,875	93,869	1,261,744
Total for on balance sheet exposures	128,686,968	3,537,104	132,224,072
Off balance sheet exposures			
OTC derivatives	2,134,409	420,185	2,554,594
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,946,877	614,534	12,561,411
Defaulted exposures	46,162	638	46,800
Total for off balance sheet exposures	14,127,448	1,035,371	15,162,819
Total on and off balance sheet exposures	142,814,416	4,572,475	147,386,891

	31 MARCH 2018		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	5,236,357	68,053	5,304,410
Public Sector Entities	40,802	-	40,802
Banks, DFIs and MDBs	5,749,435	1,221,499	6,970,934
Insurance companies, Securities firms and Fund managers	9,775	-	9,775
Corporates	52,356,932	2,157,200	54,514,132
Regulatory retail	35,600,800	-	35,600,800
Residential mortgages	16,882,162	-	16,882,162
Higher risk assets	339,614	41	339,655
Other assets	2,077,117	117,136	2,194,253
Securitisation exposures	42,970	-	42,970
Equity exposures	104	-	104
Defaulted exposures	1,147,070	82,953	1,230,023
Total for on balance sheet exposures	119,483,138	3,646,882	123,130,020
Off balance sheet exposures			
OTC derivatives	2,191,507	208,857	2,400,364
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,250,384	496,470	12,746,854
Defaulted exposures	32,994	626	33,620
Total for off balance sheet exposures	14,474,885	705,967	15,180,852
Total on and off balance sheet exposures	**133,958,023**	**4,352,849**	**138,310,872**

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

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

	30 SEPTEMBER 2018		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,659,306	60,509	1,719,815
Past due loans / financing	11,669,435	65,328	11,734,763
Individual allowance	280,333	91	280,424
Collective allowance	1,083,477	842	1,084,319

	31 MARCH 2018 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,579,455	58,950	1,638,405
Past due loans / financing	10,975,202	58,950	11,034,152
Individual allowance	208,482	-	208,482
Collective allowance	730,078	1,960	732,038

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

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

	30 SEPTEMBER 2018								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	1,577,783	-	-	121,972	278,778	705,824	4,849,036	-	7,533,393
PSEs	-	9	9	68	40,528	-	583	-	41,197
Banks, DFIs and MDBs	6,083,178	2,267,668	447,040	324,820	66,759	55,067	286,610	305,773	9,836,915
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	10,316	-	10,316
Corporates	16,704,440	4,141,170	2,595,607	2,655,900	9,205,947	5,749,531	16,028,305	-	57,080,900
Regulatory retail	104,349	60,736	160,615	360,209	3,510,632	6,361,608	25,291,186	-	35,849,335
Residential mortgages	698	657	954	4,400	62,902	139,676	18,132,962	-	18,342,249
Higher risk assets	82	28	35	176	570	374	18,080	522,986	542,331
Other assets	901,845	349	538	932	17,417	-	-	783,732	1,704,813
Securitisation exposures	-	-	-	-	-	-	20,785	-	20,785
Equity exposures	-	-	-	-	-	-	-	94	94
Defaulted exposures	506,315	4,433	5,459	11,582	105,155	66,484	562,316	-	1,261,744
Total for on balance sheet exposures	25,878,690	6,475,050	3,210,257	3,480,059	13,288,688	13,078,564	65,200,179	1,612,585	132,224,072
Off balance sheet exposures									
OTC derivatives	35,916	106,356	140,626	216,451	254,970	275,999	1,524,276	-	2,554,594
Credit derivatives	-	-	-	-	14	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,575,628	409,111	1,463,891	1,354,166	2,244,206	815,209	4,699,200	-	12,561,411
Defaulted exposures	1,717	462	6,412	21,238	3,524	3,282	10,165	-	46,800
Total for off balance sheet exposures	1,613,261	515,929	1,610,929	1,591,855	2,502,714	1,094,490	6,233,641	-	15,162,819
Total on and off balance sheet exposures	**27,491,951**	**6,990,979**	**4,821,186**	**5,071,914**	**15,791,402**	**14,173,054**	**71,433,820**	**1,612,585**	**147,386,891**

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

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

	31 MARCH 2018								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	1,560,377	-	-	-	35,248	69,780	3,639,005	-	5,304,410
PSEs	-	11	29	59	40,612	-	91	-	40,802
Banks, DFIs and MDBs	4,516,987	1,543,500	249,135	-	178,391	54,610	180,472	247,839	6,970,934
Insurance companies, Securities firms and Fund managers	-	-	3,082	-	-	-	6,693	-	9,775
Corporates	16,216,877	4,406,381	2,090,691	2,147,135	8,570,852	5,016,738	16,065,458	-	54,514,132
Regulatory retail	80,102	50,637	120,026	408,346	3,151,598	7,212,180	24,577,911	-	35,600,800
Residential mortgages	613	426	1,056	4,042	59,838	139,376	16,676,811	-	16,882,162
Higher risk assets	2	-	40	111	362	783	18,212	320,145	339,655
Other assets	1,192,468	327	504	1,057	18,349	-	-	981,548	2,194,253
Securitisation exposures	-	-	-	-	-	-	42,970	-	42,970
Equity exposures	-	-	-	-	-	-	7	97	104
Defaulted exposures	456,662	4,505	15,874	11,667	120,422	125,789	495,104	-	1,230,023
Total for on balance sheet exposures	24,024,088	6,005,787	2,480,437	2,572,417	12,175,672	12,619,256	61,702,734	1,549,629	123,130,020
Off balance sheet exposures									
OTC derivatives	70,432	90,737	62,982	218,044	171,271	255,048	1,531,850	-	2,400,364
Credit derivatives	-	-	-	-	-	14	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,575,895	747,974	775,625	1,864,446	1,949,375	1,094,213	4,739,326	-	12,746,854
Defaulted exposures	2,036	983	7,903	2,222	5,373	1,882	13,221	-	33,620
Total for off balance sheet exposures	1,648,363	839,694	846,510	2,084,712	2,126,019	1,351,157	6,284,397	-	15,180,852
Total on and off balance sheet exposures	**25,672,451**	**6,845,481**	**3,326,947**	**4,657,129**	**14,301,691**	**13,970,413**	**67,987,131**	**1,549,629**	**138,310,872**

Table 5.6: Reconciliation of changes to loans/financing impairment allowances
The reconciliation of changes to aggregated loan/financing impairment allowances of AMMB Banking Group is as follows:

	30 SEPTEMBER 2018	
	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Balance at beginning of the financial year		
- as previously stated	208,482	734,778
- reclassification to Investment account placement*	-	(2,740)
- effects of adoption of MFRS 9**	41,726	412,648
Balance at beginning of the financial year, as restated	250,208	1,144,686
Charge for the financial period – net	79,638	194,492
Amount written-off	(48,353)	(255,292)
Foreign exchange differences	(1,069)	433
Balance at end of the financial period ***	280,424	1,084,319

	(Charge off)/ recoveries RM'000
Bad debts written off during the period	(52,753)
Bad debt recoveries during the period	303,658

	31 MARCH 2018	
	Individual impairment allowances RM'000	Collective impairment allowances (Restated) RM'000
Balance at beginning of the financial year	-	-
- as previously stated	258,997	861,780
- reclassification to Investment account placement*	-	(2,299)
Balance at beginning of the financial year, as restated	258,997	859,481
Charge for the financial year – net*	105,151	344,759
Amount written-off	(148,170)	(470,347)
Foreign exchange differences	(7,496)	(1,855)
Balance at end of the financial year	208,482	732,038

	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(118,242)
Bad debt recoveries during the financial year	569,675

* In previous year, collective allowance for AmBank Islamic's financing funded by AmBank via PSIA arrangement was presented under collective allowance for loans and advances in AmBank. During the current financial period, the impairment allowance is presented as impairment allowance for the Investment Account placement to better reflect the nature of the impairment allowance. Accordingly, the Group's comparatives have been restated.

** Restated due to the adoption of MFRS 9 Financial Instruments. The financial effects of the adoption of MFRS 9 are disclosed in Note A42 *Changes in accounting policies* in the condensed financial statements.

*** As at 30 September 2018, AmBank Islamic entered into two new PSIA contracts which amounted to a total sum of RM1,387.0 million with AmBank. As at 31 March 2018, the gross exposure (including profit receivable) relating to the PSIA financing financed by AmBank amounted to RM1,861.1 million (31 March 2018:2,869.6 million). Collective allowance which amounted to RM6.2 million (31 March 2018: RM2.7 million) is taken up by AmBank.

There was no individual allowance provided for the PSIA financing as at 30 September 2018 and 31 March 2018.

6.0 Credit Risk Exposure under Standardised Approach

Depending on the exposure class, the ratings by the following 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 (Cont'd.)

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

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

30 SEPTEMBER 2018												
	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%	7,492,671	-	25,272	-	5,740,952	-	-	-	296,484	-	-	13,555,379	-
20%	13,692	41,197	9,874,661	-	5,731,184	286,420	-	-	38,855	20,631	-	16,006,640	3,201,328
35%	-	-	-	-	-	-	14,799,458	-	-	-	-	14,799,458	5,179,811
50%	40,722	-	607,909	-	531,099	23,528	3,697,388	-	-	-	-	4,900,646	2,450,323
75%	-	-	-	-	-	29,822,249	-	-	-	-	-	29,822,249	22,366,686
100%	-	-	-	47,769	51,198,519	7,008,897	67,639	-	1,369,475	-	94	59,692,393	59,692,393
150%	-	-	-	-	537,634	132,553	-	559,751	-	-	-	1,229,938	1,844,908
1250%	-	-	-	-	-	-	-	-	-	154	-	154	1,928
Total	7,547,085	41,197	10,507,842	47,769	63,739,388	37,273,647	18,564,485	559,751	1,704,814	20,785	94	140,006,857	94,737,377

31 MARCH 2018												
	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%	5,304,410	-	24,871	-	4,569,973	-	-	-	334,306	-	-	10,233,560	-
20%	19,532	40,802	7,976,278	-	4,692,276	154,578	-	-	26,415	42,808	-	12,952,689	2,590,538
35%	-	-	-	-	-	-	13,908,050	-	-	-	-	13,908,050	4,867,817
50%	-	-	579,510	-	330,708	26,563	3,126,426	-	-	-	-	4,063,207	2,031,604
75%	-	-	-	-	-	31,481,241	-	-	-	-	-	31,481,241	23,610,931
100%	-	-	-	38,455	51,493,606	5,748,033	66,278	-	1,833,531	-	104	59,180,007	59,180,007
150%	-	-	-	-	685,108	127,505	-	358,253	-	-	-	1,170,866	1,756,300
1250%	-	-	-	-	-	-	-	-	-	162	-	162	2,029
Total	5,323,942	40,802	8,580,659	38,455	61,771,671	37,537,920	17,100,754	358,253	2,194,252	42,970	104	132,989,782	94,039,226

Table 6.2: Rated Exposures according to Ratings by ECAIs

	30 SEPTEMBER 2018					
	Ratings of Corporate by Approved ECAIs					
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>On and off balance sheet exposures</u>						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	41,197	40,512	-	-	-	685
Insurance companies, Securities firms and Fund managers	47,769	-	-	-	-	47,769
Corporates	68,541,269	4,317,191	1,317,875	-	-	62,906,203
Total	68,630,235	4,357,703	1,317,875	-	-	62,954,657

	31 MARCH 2018					
	Ratings of Corporate by Approved ECAIs					
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>On and off balance sheet exposures</u>						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	40,902	40,483	-	-	-	419
Insurance companies, Securities firms and Fund managers	38,455	-	-	-	-	38,455
Corporates	65,873,125	3,383,447	1,085,839	-	-	61,403,839
Total	**65,952,482**	**3,423,930**	**1,085,839**	**-**	**-**	**61,442,713**

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

	30 SEPTEMBER 2018					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	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
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	7,547,085	79,175	7,427,188	40,722	-	-
Total	**7,547,085**	**79,175**	**7,427,188**	**40,722**	**-**	**-**

	31 MARCH 2018					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	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
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	5,323,942	68,053	5,255,889	-	-	-
Total	**5,323,942**	**68,053**	**5,255,889**	**-**	**-**	**-**

	30 SEPTEMBER 2018					
	Ratings of Banking Institutions by Approved ECAIs					
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	11,666,147	4,090,452	2,797,796	1,339,318	155	3,438,426
Total	**11,666,147**	**4,090,452**	**2,797,796**	**1,339,318**	**155**	**3,438,426**

	31 MARCH 2018					
	Ratings of Banking Institutions by Approved ECAIs					
	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
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	8,779,275	2,837,798	1,868,167	1,001,092	230	3,071,988
Total	**8,779,275**	**2,837,798**	**1,868,167**	**1,001,092**	**230**	**3,071,988**

Table 6.3: Securitisation according to Ratings by ECAIs

	30 SEPTEMBER 2018			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	20,785	20,631	-	154
Total	**20,785**	**20,631**	**-**	**154**

	31 MARCH 2018			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	42,970	42,808	-	162
Total	**42,970**	**42,808**	**-**	**162**

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. Types of collateral typically taken by the Group include:

- Cash and term deposits;
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuk;
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds);
- Non-exchange traded shares;
- Residential and non-residential property;
- Plantation land, mining land, quarry land and vacant land;
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries.

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, this is 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.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation
The aggregated exposures and eligible guarantees, credit derivatives and collateral of the AMMB Banking Group are as follows:

	30 SEPTEMBER 2018		
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	7,533,393	-	-
PSEs	41,197	-	-
Banks, DFIs And MDBs	9,836,915	-	1,077,471
Insurance companies, Securities firms and Fund managers	10,316	-	-
Corporates	57,080,900	1,488,478	4,899,745
Regulatory retail	35,849,335	282,586	1,720,873
Residential mortgages	18,342,249	-	54,989
Higher risk assets	542,331	-	114
Other assets	1,704,813	-	-
Securitisation exposures	20,785	-	-
Equity exposures	94	-	-
Defaulted exposures	1,261,744	14,340	142,340
Total for on balance sheet exposures	132,224,072	1,785,404	7,895,532
Off balance sheet exposures			
OTC derivatives	2,554,594	-	633,979
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,561,411	222,112	3,040,930
Defaulted exposures	46,800	-	19,593
Total for off balance sheet exposures	15,162,819	222,112	3,694,502
Total on and off balance sheet exposures	**147,386,891**	**2,007,516**	**11,590,034**

	31 MARCH 2018		
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	5,304,410	-	-
PSEs	40,802	-	-
Banks, DFIs And MDBs	6,970,934	-	-
Insurance companies, securities firms and fund managers	9,775	-	-
Corporates	54,514,132	1,045,712	4,141,934
Regulatory retail	35,600,800	152,995	1,209,929
Residential mortgages	16,882,162	-	71,659
Higher risk assets	339,655	-	118
Other assets	2,194,253	-	-
Securitisation exposures	42,970	-	-
Equity exposures	104	-	-
Defaulted exposures	1,230,023	11,798	202,410
Total for on balance sheet exposures	123,130,020	1,210,505	5,626,050
Off balance sheet exposures			
OTC derivatives	2,400,364	-	718,631
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,746,854	220,328	2,856,571
Defaulted exposures	33,620	-	11,984
Total for off balance sheet exposures	15,180,852	220,328	3,587,186
Total on and off balance sheet exposures	**138,310,872**	**1,430,833**	**9,213,236**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

The aggregated off balance sheet exposures and counterparty credit risk of the AMMB Banking Group is as follows:

Description	30 SEPTEMBER 2018			
	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	2,385,389		2,518,060	1,848,018
Transaction related contingent Items	5,794,466		2,830,897	2,164,551
Short Term Self Liquidating trade related contingencies	991,475		198,295	178,254
Forward Asset Purchases	622,419		37,847	17,540
Obligations under on-going underwriting agreements	34,517		-	-
Foreign exchange related contracts				
One year or less	8,560,637	56,379	257,369	183,308
Over one year to five years	1,261,738	53,123	174,903	112,568
Over five years	520,558	99,117	177,943	169,970
Interest/Profit rate related contracts				
One year or less	103,413	509	824	-
Over one year to five years	2,182,627	11,311	62,596	20,742
Over five years	1,750,522	21,184	145,177	73,838
Equity and commodity related contracts				
One year or less	831,256	35,149	26,935	7,386
Over one year to five years	453,551	51,173	170,200	87,030
Credit Derivative Contracts				
Over one year to five years	347,568	6,194	14	7
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	85,918,822	769,372	1,538,645	660,827
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,274,091		1,668,234	1,336,924
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,228,296		4,230,495	2,780,402
Unutilised credit card lines	5,621,925		1,124,385	839,154
Total	**138,883,270**	**1,103,511**	**15,162,819**	**10,480,519**

Description	31 MARCH 2018			
	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	2,159,347		2,302,230	1,803,251
Transaction related contingent Items	5,854,587		2,855,850	2,173,847
Short Term Self Liquidating trade related contingencies	693,023		138,605	132,220
Forward Asset Purchases	351,998		11,737	9,323
Obligations under an on-going underwriting agreements	105,903		-	-
Foreign exchange related contracts				
One year or less	46,477,103	542,379	226,909	156,185
Over one year to five years	1,832,176	159,830	167,246	86,617
Over five years	760,001	162,498	189,568	178,126
Interest/Profit rate related contracts				
One year or less	547,848	215	604	167
Over one year to five years	1,460,763	14,902	44,226	16,647
Over five years	1,139,677	11,423	56,874	11,375
Equity and commodity related contracts				
One year or less	797,179	30,633	85,134	45,147
Over one year to five years	418,626	1,940	47,805	32,114
Credit Derivative Contracts				
Over one year to five years	334,505	6,537	14	7
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	56,548,649	291,104	1,581,998	620,035
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,103,833		2,051,691	1,667,121
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,710,982		4,378,736	2,871,944
Unutilised credit card lines	5,208,130		1,041,625	776,986
Total	**147,504,330**	**1,221,461**	**15,180,852**	**10,581,112**

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")
Credit derivatives that create exposures to counterparty credit risk are as follows:

		30 SEPTEMBER 2018		31 MARCH 2018	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	197,567	150,000	184,505	150,000

* Out of the total notional exposure for protection bought as at 30 September 2018, RM150,000,000 (31 March 2018: RM150,000,000) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of AMMB Banking Group is as follows:

	30 SEPTEMBER 2018			
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				
Corporate loans	148,360	-	138,788	-
Mortgage loans	934,865	-	927,944	-
Total Traditional Securitisation	1,083,225	-	1,066,732	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	**1,083,225**	**-**	**1,066,732**	**-**

	31 MARCH 2018			
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				
Corporate loans	143,306	-	133,689	-
Mortgage loans	915,944	-	909,098	-
Total Traditional Securitisation	1,059,250	-	1,042,787	-
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional and Synthetic Securitisation	**1,059,250**	**-**	**1,042,787**	**-**

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

30 SEPTEMBER 2018							
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
Securitisation Exposures by Exposure Type	**Exposure Value of Positions Purchased or Retained RM'000**	**Exposure after CRM RM'000**	**Exposures subject to deduction RM'000**	**20% RM'000**	**50% RM'000**	**1250% RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	20,631	20,631	-	20,631	-	-	4,126
Originated by the Group							
On Balance Sheet Exposures	154	154	-	-	-	154	1,928
Total Traditional Securitisation	20,785	20,785	-	20,631	-	154	6,054

31 MARCH 2018							
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives			
Securitisation Exposures by Exposure Type	**Exposure Value of Positions Purchased or Retained RM'000**	**Exposure after CRM RM'000**	**Exposures subject to deduction RM'000**	**20% RM'000**	**50% RM'000**	**1250% RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	42,808	42,808	-	42,808	-	-	8,562
Originated by the Group							
On Balance Sheet Exposures	162	162	-	-	-	162	2,029
Total Traditional Securitisation	42,970	42,970	-	42,808	-	162	10,591

There are no securitisation exposure under trading book as at 30 September 2018 and 31 March 2018.

10.0 Non-Traded Market Risk

Table 10.0: Interest Rate Risk/ Rate of Return Risk Sensitivity in the Banking Book

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

	30 SEPTEMBER 2018	
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	64,033	(64,033)
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Equity	(522,167)	580,598

	31 MARCH 2018	
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	153,712	(153,712)
	Interest Rate / Rate of Return +100 bps RM'000	Interest Rate / Rate of Return -100 bps RM'000
Impact on Equity	(404,433)	456,632

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 investment 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 AMMB Banking Group is as follows:

	30 SEPTEMBER 2018	31 MARCH 2018
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	109,176	110,231
Value of unquoted (privately held) equities	521,979	319,152
Total	**631,155**	**429,383**
Net realised and unrealised gains/ (losses)		
Cumulative realised gains from sales and liquidations	3,817	228,120
Total unrealised losses	(917)	(8,729)
Total	**2,900**	**219,391**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	109,176	110,198
Equity investments subject to a 150% risk weight	782,968	478,779
Total	**892,144**	**588,977**
Total minimum capital requirement (8%)	**71,372**	**47,118**

12.0 Shariah Non-Compliant incidents and income

For the quarter ended 30 September 2018, there was one (1) Shariah non-compliant (“SNC”) incident involving SNC income of approximately RM1,115 relating to imposition of additional late payment charges. Purification of the SNC income will be made in accordance with the method approved by the Shariah Oversight Committee. To mitigate the recurrence of a similar incident, the Group has implemented enhanced measures via system control and to increase staff awareness via focused training sessions. Given that this SNC incident is of similar nature to the one (1) SNC incident involving SNC income of approximately RM3,699 which occurred in the financial year ended 31 March 2018, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2018.

13.0 Profit Sharing Investment Account ("PSIA")

MTIA Performance

As at 30 September 2018, balance of MTIA stood at RM177.7 million. The performance of MTIA is as described in the table below :

As at 30 September 2018	%
Return on Assets ("ROA")	4.61
Average Net Distributable Income Attributable to IAH	3.84
Average Profit Sharing Ratio to IAH	83.36