

AmBank (M) Berhad
Pillar 3 Disclosure

As at 30 September 2018

**RWCAF - Pillar 3 Disclosure
30 September 2018**

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1.0 Scope of Application

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

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

The following information has been provided in order to highlight the capital adequacy of the Group and the Bank. The information provided has been verified by the Group internal auditors and certified by the Chief Executive Officer.

Capital Adequacy

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

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

Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. Financial institutions are also required to maintain capital buffers which comprise the sum of the following:

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

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

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

Changes in accounting policies and regulatory requirements

Adoption of MFRS 9 Financial instruments

The AMMB 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 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 A40 of the Condensed financial statements of the Group as at 30 September 2018. The financial effects disclosed included effect to the capital adequacy ratios arising from impact to capital base and risk weighted assets for changes which involved classification of financial instruments and the resultant remeasurement of these financial instruments in the new classification as well as new loan loss impairment methodology.

Frequency of Disclosure

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

Medium and Location of Disclosure

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

1.1 Basis of Consolidation

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 engaged in financial activities	Fully consolidated	Deducted from capital at the Bank 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 Bank level; consolidated in calculation of capital adequacy at the banking subsidiary consolidated level.
Associates which are licensed under FSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital.
Associates which are not licensed under FSA 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 approval of the Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of 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.

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.

2.0 Capital Management (Cont'd.)

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 and the Bank 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 Ratio

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

	Group		Bank	
	30 September 2018	31 March 2018	30 September 2018	31 March 2018
Before deducting proposed dividends:				
CET 1 Capital ratio	11.485%	11.057%	11.384%	10.955%
Tier 1 Capital ratio	12.433%	12.009%	12.329%	11.903%
Total Capital ratio	16.288%	16.571%	16.175%	16.451%
After deducting proposed dividends:				
CET 1 Capital ratio	11.063%	10.714%	10.963%	10.613%
Tier 1 Capital ratio	12.010%	11.666%	11.907%	11.561%
Total Capital ratio	15.865%	16.228%	15.754%	16.109%

As part of an arrangement between the Bank and AmBank Islamic in relation to a Restricted Investment Account ("RIA") agreement, the Bank records as "Investment account placement" its exposure in the arrangement, whereas AmBank Islamic records its exposure as "Financing and advances". The RIA is a contract based on Shariah concept of Mudarabah Muqayyadah between the Bank and AmBank Islamic to finance a specific business venture whereby the Bank solely provides capital and the business venture is managed solely by AmBank Islamic as the entrepreneur. The RIA exposes the Bank to the risks and rewards of the financing, and accordingly the Bank accounts for all impairment allowances and risk weighted assets arising from the RIA arrangement.

As at 30 September 2018, the gross exposure relating to the RIA financing for the Group and the Bank amounted to RM1,861.1 million (31 March 2018: RM2,869.6 million). There was no individual allowance provided for the RIA financing.

Table 2.2 : Risk-Weighted Assets and Capital Requirements

The breakdown of risk weighted assets ("RWA") by exposures in major risk category of the Group is as follows:

30 September 2018		Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
Exposure class					
1. Credit risk					
On balance sheet exposures					
Sovereigns/Central banks		5,177,509	5,177,509	20,361	1,629
Public Sector Entities ("PSEs")		40,528	40,528	8,106	648
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		7,064,996	6,022,556	1,209,869	96,790
Insurance companies, Securities firms and Fund managers		6,485	6,485	6,485	519
Corporates		38,734,455	36,566,094	30,353,450	2,428,276
Regulatory retail		22,227,886	22,027,158	16,762,826	1,341,026
Residential mortgages		18,045,066	18,034,784	6,837,550	547,004
Higher risk assets		538,795	538,715	808,072	64,646
Other assets		1,121,645	1,121,645	825,164	66,013
Securitisation exposures		20,785	20,785	6,054	484
Equity exposures		94	94	94	8
Defaulted exposures		805,606	787,593	797,521	63,802
Total on balance sheet exposures		93,783,850	90,343,946	57,635,552	4,610,845
Off balance sheet exposures					
Over the counter ("OTC") derivatives		2,350,035	2,138,206	1,170,035	93,603
Credit derivatives		14	14	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives		9,405,139	8,355,893	7,405,627	592,450
Defaulted exposures		44,578	33,298	49,840	3,987
Total off balance sheet exposures		11,799,766	10,527,411	8,625,509	690,041
Total on and off balance sheet exposures		105,583,616	100,871,357	66,261,061	5,300,886
2. Large exposure risk requirement					
		-	-	541,042	43,283
3. Market risk					
		Long position	Short position		
Interest rate risk					
- General interest rate risk		103,097,301	94,555,315	1,787,268	142,981
- Specific interest rate risk		9,098,560	767,667	165,487	13,239
Foreign currency risk		153,293	166,264	166,264	13,301
Equity risk					
- General risk		85,708	45,278	40,430	3,234
- Specific risk		85,708	45,278	168,143	13,452
Option risk		1,143,883	773,922	97,414	7,793
Total		113,664,453	96,353,724	2,425,006	194,000
4. Operational risk					
				4,015,390	321,231
5. Total RWA and capital requirements					
				73,242,499	5,859,400

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

The aggregated breakdown of risk weighted assets ("RWA") by exposures in major risk category of the Group is as follows:

31 March 2018 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000	RM'000	RM'000	RM'000
1. Credit risk				
On balance sheet exposures				
Sovereigns/Central banks	2,741,941	2,741,941	-	-
Public Sector Entities ("PSEs")	40,506	40,506	8,101	648
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	4,203,590	4,203,590	846,062	67,685
Insurance companies, Securities firms and Fund managers	9,775	9,775	9,775	782
Corporates	37,129,038	35,450,555	30,679,006	2,454,320
Regulatory retail	22,493,744	22,272,231	16,930,198	1,354,416
Residential mortgages	16,596,432	16,583,389	6,244,859	499,589
Higher risk assets	337,548	337,470	506,204	40,496
Other assets	1,421,802	1,421,802	1,087,499	87,000
Securitisation exposures	42,970	42,970	10,591	847
Equity exposures	104	104	104	8
Defaulted exposures	733,549	722,384	693,971	55,518
Total on balance sheet exposures	85,750,999	83,826,717	57,016,370	4,561,309
Off balance sheet exposures				
Over the counter ("OTC") derivatives	2,183,907	1,931,381	1,013,712	81,097
Credit derivatives	14	14	7	1
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,659,702	8,622,974	7,663,925	613,114
Defaulted exposures	30,380	20,394	30,441	2,435
Total off balance sheet exposures	11,874,003	10,574,763	8,708,085	696,647
Total on and off balance sheet exposures	97,625,002	94,401,480	65,724,455	5,257,956
2. Large exposure risk requirement	-	-	373,899	29,912
3. Market risk	Long position	Short position		
Interest rate risk				
- General interest rate risk	111,766,654	104,238,989	1,833,381	146,670
- Specific interest rate risk	7,705,423	37,381	195,384	15,631
Foreign currency risk	148,442	591,939	591,939	47,355
Equity risk				
- General risk	109,747	34,098	75,649	6,052
- Specific risk	109,747	34,098	136,738	10,939
Option risk	1,405,269	735,720	28,266	2,261
Total	121,245,282	105,672,225	2,861,357	228,908
3. Operational risk			4,001,549	320,124
4. Total RWA and capital requirements			72,961,260	5,836,900

For 30 September 2018 and 31 March 2018, the Group does not have Restricted Investment Account ("RIA") that qualifies as a risk absorbent.

3.0 Capital Structure

The capital structure of the Group and the Bank are made up of:

- CET 1 Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital.

3.1 CET 1 Capital

CET 1 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) Regulatory Reserve

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

ii) Merger Reserve

The merger reserve represents reserve arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring and was accounted for using the merger accounting method.

iii) 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.

iv) 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).

3.1 CET 1 Capital (Cont'd.)

v) Available-for-Sale Reserve/(Deficit)

This account comprises of fair value gains (available-for-sale reserve) and losses (available-for-sale deficit) on financial investments available-for-sale. Where the available-for-sale reserve is a net gain outstanding balance, the Group and Bank can recognise 45% of the total outstanding balance as part of CET 1 Capital. Where the available-for-sale deficit is a net loss outstanding balance, the entire outstanding balance is deducted in CET 1 Capital.

vi) Cash Flow Hedging Reserve/(Deficit)

Cash flow hedging reserve/(deficit) comprises the portion of the gain/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gain 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 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 Group and the Bank 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. Table 3.1 outlines the details of the AT1 capital instruments of the Group and the Bank as well as the application of the grandfathering provisions.

Table 3.1: Additional Tier 1 Capital Instruments of the Group and the Bank 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
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

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%	-

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

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:

Innovative Tier 1 Capital Securities

On 18 August 2009, the Bank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bear 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 tenure 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 the Bank's ordinary shares. Upon BNM's approval, the Bank 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.

Non-innovative Tier 1 Capital

In the financial year ended 31 March 2009, the Bank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

- Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank

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 Sub-Notes will be assigned to the Bank pursuant to the forward purchase contract entered into by the Bank 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 the Bank 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 the Bank 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 tenure 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 the Bank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. 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).

Medium Term Notes

In the financial year ended 31 March 2008, the Bank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby 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 tenure 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, the Bank 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, the Bank 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	Tenure	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

Table 3.3: Capital Structure

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

	Group		Bank	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
CET 1 Capital				
Ordinary shares (Note 1)	1,940,465	1,763,208	1,940,465	1,763,208
Regulatory reserve	276,569	372,133	276,569	372,133
Retained earnings	6,672,385	6,641,531	6,733,454	6,700,583
Fair value reserve	209,124	-	209,178	-
Available-for-sale deficit	-	(23,387)	-	(23,518)
Foreign currency translation reserve	86,203	49,075	90,056	52,974
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve	834	3,174	834	3,174
Less: Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(383,668)	(400,376)	(383,668)	(400,376)
Deferred tax assets	(101,506)	(66,659)	(101,455)	(66,637)
55% of cumulative gains of available-for-sale financial instruments	(115,018)	-	(115,048)	-
Cash flow hedging reserve	(834)	(3,174)	(834)	(3,174)
Regulatory reserve	(276,569)	(372,133)	(276,569)	(372,133)
Investment in ordinary shares of unconsolidated financial entities	-	-	(8,488)	(8,488)
Total CET 1 Capital	8,412,134	8,067,541	8,364,494	8,017,746
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	694,040	694,040	694,040
Qualifying CET 1, Additional Tier 1 capital instruments held by third parties	2	2	-	-
Total Tier 1 Capital	9,106,176	8,761,583	9,058,534	8,711,786
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,995,000	1,995,000	1,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	-	600,000	831,492	600,000
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserve	828,263	733,999	-	734,013
Total Tier 2 Capital	2,823,264	3,329,000	2,826,492	3,329,013
Total Capital	11,929,440	12,090,583	11,885,026	12,040,799

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

	Group		Bank	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Credit RWA	66,261,061	65,724,455	66,519,340	65,981,322
Market RWA	2,425,006	2,861,357	2,424,446	2,861,798
Operational RWA	4,015,390	4,001,549	3,990,696	3,973,753
Large exposure risk RWA for equity holdings	541,042	373,899	541,042	373,899
Total RWA	73,242,499	72,961,260	73,475,524	73,190,772

Note 1:

On 28 June 2018, the Bank 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 the Bank.

4.0 General Risk Management

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

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

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

The AMMB Group Risk Direction

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

1. The AMMB Group aspires to improve on its current external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The 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. The 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. The AMMB Group recognizes the importance of funding its own business. It aims to maintain the following:
 - a. Liquidity Coverage Ratio ("LCR") at least 10% above prevailing
 - b. Stressed LCR above the regulatory requirement
 - c. Net Stable Funding Ratio ("NSFR") above the prevailing regulatory minimum (effective from 2019)
5. The AMMB Group aims to maintain the following Capital Adequacy Ratios (CARs) under normal conditions: CET 1, Tier 1 and total capital ratio of at least 1 percentage point their respective above regulatory minimum, including prescribed regulatory buffers.
6. The AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
 - a. Keep operational losses and regulatory penalties below 2% of profit after tax and minority interest ("PATMI").
 - b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
7. The AMMB Group aims to limit the Group's earnings volatility such that mean Adjusted Return volatility over a period of the last 3 years is Below 0.3. (as per Perbadanan Insurans Deposit Malaysia ("PIDM") definition).

Risk Management Governance

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

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

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

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

5.0 Credit Risk Management

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

Identification	<ul style="list-style-type: none"> Identify/recognise credit risk on transactions and/or positions Select asset and portfolio mix
Assessment/ Measurement	<ul style="list-style-type: none"> Internal credit rating system Probability of default ("PD") Loss given default ("LGD") Exposure at default ("EAD")
Control/ Mitigation	<ul style="list-style-type: none"> Portfolio Limits, Counterparty Limits, Wholesale Pricing Collateral and tailored facility structures
Monitoring/ Review	<ul style="list-style-type: none"> Monitor and report portfolio mix Review Classified Accounts Review Rescheduled and Restructured Accounts Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

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

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

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

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

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

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

- concentration threshold/review trigger:
 - single counterparty credit;
 - industry sector; and
 - country.
- setting Loan to Value limits for asset backed loans (i.e., property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans pursuant to the BNM's revised policy on Financial Reporting; 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.

5.0 Credit Risk Management (Cont'd.)

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

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

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

The Group applies the 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 and advances

All loans and advances are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired

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

A loan is classified as impaired under the following circumstances:

- (a) where the principal or interest or both is past due¹ 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 obligation²; or
- (b) for loans where repayments are scheduled on intervals of 3 months or longer, the loan is to be classified as impaired 1+30 days or 1day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default³).
- (c) for trade bills/facilities, an account is deemed defaulted and impaired when the past due is 90 days from due date of the bill.
- (d) a loan may also be classified as impaired:
 - i. if it is probable that the Group and the Bank will be unable to collect all amounts due (including both interest 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 obligation of a customer triggers a default of another loan obligation of the same customer or
 - a default of a loan obligation of a customer triggers a default of a loan obligation of other customers within the same customer group.

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

or

- iii. if deemed appropriate by the WACC or CACC.

¹ For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

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.

5.1 Impairment (Cont'd)

5.1.1 Definition of past due and impaired loans and advances (Cont'd.)

- (e) debt instruments (for example, corporate bond and sukuk, debt converted instrument 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 Agent⁴ 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) the loan is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS")

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.

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

30 September 2018															Total RM'000
	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	Government and central banks	Real estate	Business activities	Education and health	Household	Others	
	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	
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	5,177,509	-	-	-	-	-	5,177,509
PSEs	-	-	-	-	-	-	-	-	-	-	40,528	-	-	-	40,528
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,064,996	-	-	-	-	-	-	7,064,996
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	6,485	-	-	-	-	-	-	6,485
Corporates	1,621,470	861,631	6,419,107	1,398,316	4,439,078	4,173,198	2,711,691	4,844,087	-	5,962,207	2,452,379	2,104,106	1,747,007	178	38,734,455
Regulatory retail	30,314	6,525	261,859	17,939	130,506	288,134	82,027	3,633	-	86,495	171,354	50,166	21,095,258	3,676	22,227,886
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	18,045,066	-	18,045,066
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,799	519,996	538,795
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,121,645	1,121,645
Securitisation exposures	-	-	-	-	-	-	-	20,785	-	-	-	-	-	-	20,785
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	94	94
Defaulted exposures	75	75,862	124,545	23	14,154	42,165	7,609	-	-	105,076	12,910	7,774	414,620	793	805,606
Total for on balance sheet exposures	1,651,859	944,018	6,805,511	1,416,278	4,583,738	4,503,497	2,801,327	11,939,986	5,177,509	6,153,778	2,677,171	2,162,046	41,320,750	1,646,382	93,783,850
Off balance sheet exposures															
OTC derivatives	10,922	-	119,103	490	272	11,543	281,929	1,760,475	-	5,349	102,741	48,502	8,709	-	2,350,035
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	147,029	624,195	1,676,747	313,177	2,231,116	690,358	331,831	317,515	-	652,795	268,230	68,222	2,083,544	380	9,405,139
Defaulted exposures	-	-	19,748	-	1,931	260	46	-	-	12,749	81	-	9,763	-	44,578
Total for off balance sheet exposures	157,951	624,195	1,815,598	313,667	2,233,319	702,161	613,806	2,078,004	-	670,893	371,052	116,724	2,102,016	380	11,799,766
Total on and off balance sheet exposures	1,809,810	1,568,213	8,621,109	1,729,945	6,817,057	5,205,658	3,415,133	14,017,990	5,177,509	6,824,671	3,048,223	2,278,770	43,422,766	1,646,762	105,583,616

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

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

31 March 2018	Wholesale and retail trade and hotels and restaurants														Total
	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	Government and central banks	Real estate	Business activities	Education and health	Household	Others	
	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
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	2,741,941	-	-	-	-	-	2,741,941
PSEs	-	-	-	-	-	-	-	-	-	-	20	40,486	-	-	40,506
Banks, DFIs and MDBs	-	-	-	-	-	-	-	4,203,590	-	-	-	-	-	-	4,203,590
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	9,775	-	-	-	-	-	-	9,775
Corporates	1,608,079	1,003,514	6,636,313	1,119,771	4,400,863	4,256,398	1,946,016	5,384,279	-	6,039,531	1,079,522	2,137,895	1,300,221	216,636	37,129,038
Regulatory retail	28,065	5,711	195,960	7,026	96,967	220,474	35,098	3,326	-	78,960	88,825	93,582	21,617,265	22,485	22,493,744
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	16,596,432	-	16,596,432
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,960	318,588	337,548
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,421,802	1,421,802
Securitisation exposures	-	-	-	-	-	-	-	20,822	-	22,148	-	-	-	-	42,970
Equity exposures	-	-	7	-	-	-	-	-	-	-	-	-	-	97	104
Defaulted exposures	219	76,518	54,527	1	19,675	23,305	3,506	-	-	134,221	16,094	14,071	390,679	733	733,549
Total for on balance sheet exposures	1,636,363	1,085,743	6,886,807	1,126,798	4,517,505	4,500,177	1,984,620	9,621,792	2,741,941	6,274,860	1,184,461	2,286,034	39,923,557	1,980,341	85,750,999
Off balance sheet exposures															
OTC derivatives	15,539	167,121	133,099	-	1,487	11,724	64,914	1,706,620	-	6,286	8,928	59,285	8,575	329	2,183,907
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	157,653	581,630	1,513,598	286,842	2,448,448	687,039	301,323	325,375	-	716,740	205,100	202,443	2,228,952	4,559	9,659,702
Defaulted exposures	-	-	1,082	-	4,577	414	-	-	-	13,487	109	-	10,630	81	30,380
Total for off balance sheet exposures	173,192	748,751	1,647,779	286,842	2,454,512	699,177	366,237	2,032,009	-	736,513	214,137	261,728	2,248,157	4,969	11,874,003
Total on and off balance sheet exposures	1,809,555	1,834,494	8,534,586	1,413,640	6,972,017	5,199,354	2,350,857	11,653,801	2,741,941	7,011,373	1,398,598	2,547,762	42,171,714	1,985,310	97,625,002

Table 5.2 : Impaired and past due loans and advances, 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 period/year 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	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	106	76,967	155,194	116	26,181	54,444	8,530	-	258,034	8,329	14,906	526,157	3,056	-	1,132,020
Past due loans	6,341	78,189	154,909	576	121,239	80,545	30,132	922	258,288	212,904	36,102	7,053,967	8,833	-	8,042,948
Individual allowance	-	1,208	31,215	-	11,375	2,386	57	-	152,498	11	160	1,281	-	-	200,191
Collective allowance	4,189	5,729	114,214	2,470	17,748	33,157	13,303	10,594	12,999	6,903	1,400	496,519	2,295	25,002	746,522
Charges/(writeback) for individual allowance	-	2,956	22,715	-	10,576	1,704	7	-	10,691	(289)	632	(4,105)	-	-	44,887
Write-offs against individual allowance/ other movements	-	9,494	3,527	-	1,269	3,626	674	-	2,129	-	3,584	-	-	-	24,303

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	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Impaired loans and advances	265	82,711	81,147	110	37,226	28,054	8,966	-	291,255	8,097	18,333	495,401	2,235	-	1,053,800
Past due loans	13,053	74,926	137,102	478	84,680	85,570	26,387	7	105,822	24,405	27,389	6,794,877	4,235	-	7,378,931
Individual allowance	-	6,277	11,395	-	1,233	4,283	555	-	150,079	-	3,140	4,138	-	-	181,100
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	497,812	497,812
Charges/(writeback) for individual allowance	-	15,459	41,171	-	1,152	9,697	870	-	2,764	(28)	3,140	1,933	-	-	76,158
Write-offs against individual allowance	-	38,367	80,857	-	-	5,864	315	-	5,639	-	-	4,809	-	-	135,851

Table 5.3 : Geographical distribution of credit exposures

The geographic distribution of credit exposures of the 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	5,057,612	119,897	5,177,509
PSEs	40,528	-	40,528
Banks, DFIs and MDBs	5,733,574	1,331,422	7,064,996
Insurance companies, Securities firms and Fund managers	6,485	-	6,485
Corporates	36,931,427	1,803,028	38,734,455
Regulatory retail	22,227,886	-	22,227,886
Residential mortgages	18,045,066	-	18,045,066
Higher risk assets	538,792	3	538,795
Other assets	1,027,988	93,657	1,121,645
Securitisation exposures	20,785	-	20,785
Equity exposures	94	-	94
Defaulted exposures	711,737	93,869	805,606
Total for on balance sheet exposures	90,341,974	3,441,876	93,783,850
Off balance sheet exposures			
OTC derivatives	1,929,850	420,185	2,350,035
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	8,790,605	614,534	9,405,139
Defaulted exposures	43,940	638	44,578
Total for off balance sheet exposures	10,764,395	1,035,371	11,799,766
Total on and off balance sheet exposures	101,106,369	4,477,247	105,583,616

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

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

31 March 2018	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	2,673,888	68,053	2,741,941
PSEs	40,506	-	40,506
Banks, DFIs and MDBs	3,056,039	1,147,551	4,203,590
Insurance companies, Securities firms and Fund managers	9,775	-	9,775
Corporates	34,971,838	2,157,200	37,129,038
Regulatory retail	22,493,744	-	22,493,744
Residential mortgages	16,596,432	-	16,596,432
Higher risk assets	337,514	34	337,548
Other assets	1,305,497	116,305	1,421,802
Securitisation exposures	42,970	-	42,970
Equity exposures	104	-	104
Defaulted exposures	650,596	82,953	733,549
Total for on balance sheet exposures	82,178,903	3,572,096	85,750,999
Off balance sheet exposures			
OTC derivatives	1,975,050	208,857	2,183,907
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,163,232	496,470	9,659,702
Defaulted exposures	29,754	626	30,380
Total for off balance sheet exposures	11,168,036	705,967	11,874,003
Total on and off balance sheet exposures	93,346,939	4,278,063	97,625,002

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

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

30 September 2018	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,071,511	60,509	1,132,020
Past due loans	7,977,620	65,328	8,042,948
Individual allowance	200,100	91	200,191
Collective allowance	745,680	842	746,522

31 March 2018	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	994,850	58,950	1,053,800
Past due loans	7,319,981	58,950	7,378,931
Individual allowance	181,100	-	181,100
Collective allowance	495,852	1,960	497,812

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

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

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	1,071,357	-	-	20,329	213,482	471,000	3,401,341	-	5,177,509
PSEs	-	-	-	-	40,528	-	-	-	40,528
Banks, DFIs and MDBs	4,879,349	1,070,765	151,328	324,820	66,759	-	266,202	305,773	7,064,996
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	6,485	-	6,485
Corporates	10,013,753	3,228,536	2,127,266	2,266,056	6,180,189	4,087,614	10,831,041	-	38,734,455
Regulatory retail	94,376	54,143	135,590	254,515	1,942,430	3,899,418	15,847,414	-	22,227,886
Residential mortgages	622	650	885	4,032	58,698	125,105	17,855,074	-	18,045,066
Higher risk assets	82	28	35	176	570	374	17,534	519,996	538,795
Other assets	444,024	-	-	-	-	-	-	677,621	1,121,645
Securitisation exposures	-	-	-	-	-	-	20,785	-	20,785
Equity exposures	-	-	-	-	-	-	-	94	94
Defaulted exposures	198,193	3,643	3,860	7,072	78,559	44,397	469,882	-	805,606
Total for on balance sheet exposures	16,701,756	4,357,765	2,418,964	2,877,000	8,581,215	8,627,908	48,715,758	1,503,484	93,783,850
Off balance sheet exposures									
OTC derivatives	34,092	102,597	138,413	175,639	249,865	233,771	1,415,658	-	2,350,035
Credit derivatives	-	-	-	-	14	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,013,201	292,784	1,097,180	1,057,096	1,423,562	569,389	3,951,927	-	9,405,139
Defaulted exposures	1,485	462	6,412	21,238	2,793	3,263	8,925	-	44,578
Total for off balance sheet exposures	1,048,778	395,843	1,242,005	1,253,973	1,676,234	806,423	5,376,510	-	11,799,766
Total on and off balance sheet exposures	17,750,534	4,753,608	3,660,969	4,130,973	10,257,449	9,434,331	54,092,268	1,503,484	105,583,616

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

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

31 March 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	107,758	-	-	-	-	-	2,634,183	-	2,741,941
PSEs	-	3	-	-	40,503	-	-	-	40,506
Banks, DFIs and MDBs	3,121,067	330,421	150,495	-	178,391	-	175,377	247,839	4,203,590
Insurance companies, Securities firms and Fund managers	-	-	3,082	-	-	-	6,693	-	9,775
Corporates	9,844,252	3,244,813	1,652,802	1,673,776	6,200,985	3,432,533	11,079,877	-	37,129,038
Regulatory retail	70,175	42,793	98,294	324,262	1,888,611	4,395,914	15,673,695	-	22,493,744
Residential mortgages	547	416	1,003	3,779	56,772	126,194	16,407,721	-	16,596,432
Higher risk assets	2	-	40	111	362	783	17,662	318,588	337,548
Other assets	535,980	-	-	-	-	-	-	885,822	1,421,802
Securitisation exposures	-	-	-	-	-	-	42,970	-	42,970
Equity exposures	-	-	-	-	-	-	7	97	104
Defaulted exposures	147,390	3,629	13,850	8,287	100,292	46,395	413,706	-	733,549
Total for on balance sheet exposures	13,827,171	3,622,075	1,919,566	2,010,215	8,465,916	8,001,819	46,451,891	1,452,346	85,750,999
Off balance sheet exposures									
OTC derivatives	70,258	90,540	61,625	205,006	169,243	215,579	1,371,656	-	2,183,907
Credit derivatives	-	-	-	-	-	14	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,022,735	610,461	614,393	1,403,405	1,327,155	702,198	3,979,355	-	9,659,702
Defaulted exposures	1,848	776	7,867	1,666	4,330	1,844	12,049	-	30,380
Total for off balance sheet exposures	1,094,841	701,777	683,885	1,610,077	1,500,728	919,635	5,363,060	-	11,874,003
Total on and off balance sheet exposures	14,922,012	4,323,852	2,603,451	3,620,292	9,966,644	8,921,454	51,814,951	1,452,346	97,625,002

Table 5.6 : Reconciliation of changes to loans impairment allowances

The reconciliation of changes to loans impairment allowances of the Group are as follows:

	Collective impairment allowance		Individual impairment allowances	
	30 September 2018 RM'000	31 March 2018* (Restated) RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year				
- as previously stated	500,552	608,795	181,100	240,793
- reclassification to Investment account placement	(2,740)	(2,299)	-	-
- effects of adoption of MFRS 9	312,851	-	(1,493)	-
Balance at beginning of the financial year, as restated	810,663	606,496	179,607	240,793
Charge to income statement, net	108,557	206,681	44,887	76,158
Amount written-off	(173,126)	(313,518)	(23,234)	(128,355)
Foreign exchange differences	428	(1,847)	(1,069)	(7,496)
Balance at end of the financial period/year	746,522	497,812	200,191	181,100
			(Charge offs)/ recoveries	
			30 September 2018 RM'000	31 March 2018 RM'000
Bad debts written off during the financial period/year			(37,349)	(97,336)
Bad debt recoveries during the financial period/year			243,143	443,247

* Previously, the collective allowance for financing and advances for the investment assets was presented under collective allowance for loans and advances of the Bank. 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 comparatives have been restated to conform with the current period's presentation.

6.0 Credit Risk Exposure under the Standardised Approach

Depending on the exposure class, the following 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.

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

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

30 September 2018	Exposures after netting and credit risk mitigation												Total exposures after netting and credit risk mitigation	Total risk weighted assets
	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	5,136,787	-	5,129	-	2,750,703	-	-	-	296,481	-	-	8,189,100	-	
20%	13,692	40,528	7,115,930	-	4,559,159	254,886	-	-	-	20,631	-	12,004,826	2,400,965	
35%	-	-	-	-	-	-	14,560,050	-	-	-	-	14,560,050	5,096,018	
50%	40,722	-	486,892	-	487,213	17,733	3,628,772	-	-	-	-	4,661,332	2,330,666	
75%	-	-	-	-	-	22,103,695	-	-	-	-	-	22,103,695	16,577,771	
100%	-	-	-	40,138	35,761,212	1,656,319	66,247	-	825,164	-	94	38,349,174	38,349,174	
150%	-	-	-	-	366,072	81,292	-	555,662	-	-	-	1,003,026	1,504,539	
1250%	-	-	-	-	-	-	-	-	-	154	-	154	1,928	
Total	5,191,201	40,528	7,607,951	40,138	43,924,359	24,113,925	18,255,069	555,662	1,121,645	20,785	94	100,871,357	66,261,061	

31 March 2018	Exposures after netting and credit risk mitigation												Total exposures after netting and credit risk mitigation	Total risk weighted assets
	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	2,741,941	-	5,042	-	2,127,381	-	-	-	334,303	-	-	5,208,667	-	
20%	19,532	40,506	5,321,574	-	3,660,075	127,757	-	-	-	42,808	-	9,212,252	1,842,451	
35%	-	-	-	-	-	-	13,675,577	-	-	-	-	13,675,577	4,786,452	
50%	-	-	315,470	-	290,122	17,416	3,064,324	-	-	-	-	3,687,332	1,843,666	
75%	-	-	-	-	-	22,980,451	-	-	-	-	-	22,980,451	17,235,338	
100%	-	-	-	38,455	36,401,004	1,290,188	64,831	-	1,087,499	-	104	38,882,081	38,882,081	
150%	-	-	-	-	323,082	76,362	-	355,514	-	-	-	754,958	1,132,438	
1250%	-	-	-	-	-	-	-	-	-	162	-	162	2,029	
Total	2,761,473	40,506	5,642,086	38,455	42,801,664	24,492,174	16,804,732	355,514	1,421,802	42,970	104	94,401,480	65,724,455	

Table 6.2: Rated exposures according to ratings by ECAIs

30 September 2018		Ratings of corporate by approved ECAIs				
Exposure class	Moody's	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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSEs	40,528	40,512	-	-	-	16
Insurance companies, Securities firms and Fund managers	40,138	-	-	-	-	40,138
Corporates	47,243,699	3,603,171	969,236	-	-	42,671,292
Total	47,324,365	3,643,683	969,236	-	-	42,711,446

31 March 2018		Ratings of corporate by approved ECAIs				
Exposure class	Moody's	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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSEs	40,506	40,483	-	-	-	23
Insurance companies, Securities firms and Fund managers	38,455	-	-	-	-	38,455
Corporates	45,572,986	2,755,406	772,350	-	-	42,045,230
Total	45,651,947	2,795,889	772,350	-	-	42,083,708

Table 6.2: Rated exposures according to ratings by ECAIs (Cont'd.)

30 September 2018	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	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
On and off balance sheet exposures						
Sovereigns and Central banks	5,191,201	79,175	5,071,304	40,722	-	-
Total	5,191,201	79,175	5,071,304	40,722	-	-

31 March 2018	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	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
On and off balance sheet exposures						
Sovereigns and Central banks	2,761,473	68,053	2,693,420	-	-	-
Total	2,761,473	68,053	2,693,420	-	-	-

Table 6.2: Rated exposures according to ratings by ECAIs (Cont'd.)

30 September 2018		Ratings of banking institutions by approved ECAIs					
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
Exposure class		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
			RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs		8,766,256	3,665,688	2,375,259	1,090,681	155	1,634,473
Total		8,766,256	3,665,688	2,375,259	1,090,681	155	1,634,473

31 March 2018		Ratings of banking institutions by approved ECAIs					
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
Exposure class		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
			RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs		5,840,702	2,726,478	1,114,191	481,047	230	1,518,756
Total		5,840,702	2,726,478	1,114,191	481,047	230	1,518,756

Table 6.3: Securitisation according to ratings by ECAs

30 September 2018	Ratings of securitisation by approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
Exposure class	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
		RM'000	RM'000	RM'000
<u>On and off balance sheet exposures</u>				
Securitisation exposures	20,785	20,631	-	154
Total	20,785	20,631	-	154

31 March 2018	Ratings of securitisation by approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
Exposure class	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
		RM'000	RM'000	RM'000
<u>On and off balance sheet exposures</u>				
Securitisation exposures	42,970	42,808	-	162
Total	42,970	42,808	-	162

7.0 Credit Risk Mitigation

Table 7.1 : Credit Risk Mitigation

The total exposures and eligible guarantees and collateral of the 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
<i>Credit risk</i>			
<i>On balance sheet exposures</i>			
Sovereigns/Central banks	5,177,509	-	-
PSEs	40,528	-	-
Banks, DFIs and MDBs	7,064,996	-	1,077,471
Insurance companies, Securities firms and Fund managers	6,485	-	-
Corporates	38,734,455	461,313	3,961,194
Regulatory retail	22,227,886	251,839	295,565
Residential mortgages	18,045,066	-	54,903
Higher risk assets	538,795	-	114
Other assets	1,121,645	-	-
Securitisation exposures	20,785	-	-
Equity exposures	94	-	-
Defaulted exposures	805,606	10,799	48,429
Total for on balance sheet exposures	93,783,850	723,951	5,437,676
<i>Off balance sheet exposures</i>			
OTC derivatives	2,350,035	-	633,979
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,405,139	21,796	1,726,012
Defaulted exposures	44,578	-	18,829
Total for off balance sheet exposures	11,799,766	21,796	2,378,820
Total on and off balance sheet exposures	105,583,616	745,747	7,816,496

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

The total exposures and eligible guarantees and collateral of the Group are as follows (Cont'd.):

31 March 2018			
Exposures	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial collateral RM'000
<i>Credit risk</i>			
<i>On balance sheet exposures</i>			
Sovereigns/Central banks	2,741,941	-	-
PSEs	40,506	-	-
Banks, DFIs and MDBs	4,203,590	-	-
Insurance companies, Securities firms and Fund managers	9,775	-	-
Corporates	37,129,038	413,162	3,374,865
Regulatory retail	22,493,744	126,827	308,658
Residential mortgages	16,596,432	-	71,561
Higher risk assets	337,548	-	118
Other assets	1,421,802	-	-
Securitisation exposures	42,970	-	-
Equity exposures	104	-	-
Defaulted exposures	733,549	8,495	73,253
Total for on balance sheet exposures	85,750,999	548,484	3,828,455
<i>Off balance sheet exposures</i>			
OTC derivatives	2,183,907	-	718,631
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,659,702	2,908	1,691,931
Defaulted exposures	30,380	-	10,302
Total for off balance sheet exposures	11,874,003	2,908	2,420,864
Total on and off balance sheet exposures	97,625,002	551,392	6,249,319

8.0 Off Balance Sheet exposures and Counterparty Credit Risk**Table 8.1: Off Balance Sheet Exposures**

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

30 September 2018	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	1,842,560		1,975,231	1,486,035
Transaction related contingent items	4,869,236		2,368,282	1,823,227
Short term self liquidating trade related contingencies	903,339		180,668	160,786
Forward asset purchases	485,608		29,239	11,078
Foreign exchange related contracts				
One year or less	8,090,704	23,373	243,500	169,438
Over one year to five years	936,030	30,586	136,117	73,781
Over five years	520,558	99,117	177,943	169,971
Interest rate related contracts				
One year or less	103,413	509	824	-
Over one year to five years	1,522,627	8,601	54,051	16,813
Over five years	1,400,522	21,184	145,177	73,838
Equity and commodity related contracts				
One year or less	831,256	35,149	91,536	28,010
Over one year to five years	453,551	51,173	105,600	66,406
Credit derivative contracts				
Over one year to five years	347,568	6,193	14	7
OTC Derivatives transaction subject to valid bilateral netting agreements	83,291,028	769,372	1,395,287	571,778
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,701,726		1,382,051	1,112,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,495,089		2,686,542	2,244,461
Unutilised credit card lines	4,138,519		827,704	617,020
Total	125,933,334	1,045,257	11,799,766	8,625,509

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

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

31 March 2018	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	1,832,161		1,975,044	1,500,363
Transaction related contingent items	5,033,552		2,445,333	1,872,637
Short term self liquidating trade related contingencies	638,415		127,683	121,703
Forward asset purchases	138,023		7,008	4,594
Obligations under on-going underwriting agreements	50,000		-	-
Foreign exchange related contracts				
One year or less	45,179,329	506,617	225,181	154,476
Over one year to five years	1,487,442	112,462	131,759	51,130
Over five years	760,001	162,498	189,568	178,126
Interest rate related contracts				
One year or less	547,848	215	604	167
Over one year to five years	1,200,763	10,624	38,215	14,275
Over five years	789,677	11,423	56,874	11,375
Equity and commodity related contracts				
One year or less	797,179	30,633	85,134	45,148
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 Derivatives transaction subject to valid bilateral netting agreements	55,958,676	291,104	1,408,767	526,901
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,294,066		1,646,808	1,333,130
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,522,423		2,704,573	2,278,027
Unutilised credit card lines	3,918,163		783,633	583,912
Total	135,900,849	1,134,053	11,874,003	8,708,085

Table 8.2 : Credit Derivatives Counterparty Credit Risk

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

Usage	Product	30 September 2018		31 March 2018	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
		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, RM 150.0 million (31 March 2018: RM150.0 million) 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 securitised exposures of the Group are as follows:

30 September 2018				
Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial period RM'000
<u>Traditional securitisation originated by the Group</u>				
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 financial year RM'000
<u>Traditional securitisation originated by the Group</u>				
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	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
Securitisation exposures by exposure type								
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
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	20,785	20,785	-	20,631	-	154	-	6,054

31 March 2018	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
Securitisation exposures by exposure type								
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
Total synthetic securitisation	-	-	-	-	-	-	-	-
Total traditional and synthetic securitisation	42,970	42,970	-	42,808	-	162	-	10,591

10.0 Non-Traded Market Risk

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

The IRR/RORBB sensitivity for the 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	66,234	(66,234)
Impact on Equity	(321,870)	360,682

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	122,433	(122,433)
Impact on Equity	(232,212)	266,223

11.0 Equities (Banking Book Positions)

Measurement of equity securities - Equity securities that have a quoted market price are carried at their fair value. Investments in unlisted securities are measured at fair value through other comprehensive income ("FVOCI") (if any). When this election is used, fair value gains and losses are recognised in other comprehensive income.

Table 11.1: Equity investments and capital requirement

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

Non traded equity investments	30 September 2018 RM'000	31 March 2018 RM'000
Value of quoted (publicly traded) equities	109,176	110,231
Value of unquoted (privately held) equities	519,089	317,695
Total	628,265	427,926
Net realised and unrealised (losses)/gains		
Cumulative realised gains from sales and liquidations	3,817	50,862
Total unrealised (losses)/gains	(917)	(8,729)
Total	2,900	42,133
Risk weighted assets		
Equity investments subject to a 100% risk weight	109,176	110,198
Equity investments subject to a 150% risk weight	778,633	476,593
Total	887,809	586,791
Total minimum capital requirement (8%)	71,025	46,943

12.0 Liquidity Risk and Funding Management

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