Registration No. 199101012723 (223035-V)

# AMMB Holdings Berhad

## Pillar 3 Disclosure

### 30 September 2020

# RWCAF- Pillar 3 Disclosure
# (Applicable to the regulated banking subsidiaries of the Group)
# For 30 September 2020

## 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”) aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The two policy documents are applicable to all banking institutions licensed under the Financial Services Act 2013 (“FSA”) and Islamic Financial Service Act 2013 ("IFSA").

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

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

### Capital Adequacy

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

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

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

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

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

## 1.0 Scope of Application (Cont'd.)

### Frequency of Disclosure

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

### Medium and Location of Disclosure

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

## 1.1 Basis of Consolidation

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

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

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

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

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

## 2.0 Capital Management

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

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

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

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

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

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

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board. The Risk Management Committee ("RMC") is specifically delegated the task of reviewing all risk management issues including oversight of the Group’s capital position and any actions impacting the capital levels.

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage impact of the COVID-19 outbreak, which include allowing Banking Institutions to drawdown on the capital conservation buffer of 2.5%, but is required to restore the capital conservation buffer after 31 December 2020 and to restore to the minimum regulatory requirement by 30 September 2021.

**Table 2.1: Capital Adequacy Ratios**

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

| | 30 September 2020 | | | |
|---|---|---|---|---|
| | AmBank | AmBank Islamic | AmInvestment Bank | Group |
| CET1 Capital ratio | 13.191% | 11.727% | 49.474% | 13.491% |
| Tier 1 Capital ratio | 13.191% | 11.727% | 49.474% | 13.491% |
| Total Capital ratio | 17.523% | 16.483% | 49.474% | 16.617% |

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

Notes:

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

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

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

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

**Table 2.2 Risk-Weighted Assets and Capital Requirements**
The breakdown of RWA by exposures in major risk category of the Group is as follows:

| | 30 SEPTEMBER 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Exposure class** | **RM'000** | **Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000** | **Net exposures/ EAD after CRM RM'000** | **Risk weighted assets RM'000** | **Risk Weighted Assets Absorbed by PSIA* RM'000** | **Total Risk Weighted Assets after effects of PSIA RM'000** | **Minimum capital requirement at 8% RM'000** |
| 1. **Credit risk** | | | | | | | |
| **On balance sheet exposures:** | | | | | | | |
| Sovereigns/central banks | | 9,824,905 | 9,824,905 | - | - | - | - |
| Public Sector Entities ("PSEs") | | 3,190 | 3,190 | 638 | - | 638 | 51 |
| Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs") | | 8,645,899 | 8,645,899 | 1,663,756 | - | 1,663,756 | 133,100 |
| Corporates | | 60,133,676 | 58,210,991 | 46,426,692 | - | 46,426,692 | 3,714,135 |
| Regulatory retail | | 39,535,360 | 36,171,639 | 29,189,780 | 421,896 | 28,767,884 | 2,301,431 |
| Residential mortgages | | 21,674,497 | 21,667,984 | 8,339,639 | - | 8,339,639 | 667,171 |
| Higher risk assets | | 706,606 | 706,596 | 1,059,894 | - | 1,059,894 | 84,792 |
| Other assets | | 2,149,842 | 2,149,842 | 1,680,481 | - | 1,680,481 | 134,438 |
| Securitisation exposures | | 15,948 | 15,948 | 4,297 | - | 4,297 | 344 |
| Equity exposures | | 54 | 54 | 54 | - | 54 | 4 |
| Defaulted exposures | | 1,151,805 | 1,137,188 | 1,198,148 | - | 1,198,148 | 95,852 |
| **Total for on balance sheet exposures** | | **143,841,782** | **138,534,236** | **89,563,379** | **421,896** | **89,141,483** | **7,131,318** |
| **Off balance sheet exposures:** | | | | | | | |
| Over the counter ("OTC") derivatives | | 2,219,742 | 2,050,418 | 1,339,036 | - | 1,339,036 | 107,123 |
| Credit derivatives | | 11 | 11 | 6 | - | 6 | - |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | | 15,358,744 | 9,720,854 | 7,962,788 | - | 7,962,788 | 637,023 |
| Defaulted exposures | | 42,932 | 29,529 | 44,199 | - | 44,199 | 3,536 |
| **Total for off balance sheet exposures** | | **17,621,429** | **11,800,812** | **9,346,029** | **-** | **9,346,029** | **747,682** |
| **Total on and off balance sheet exposures** | | **161,463,211** | **150,335,048** | **98,909,408** | **421,896** | **98,487,512** | **7,879,000** |
| 2. **Large exposures risk requirement** | | | | 874,538 | - | 874,538 | 69,963 |
| 3. **Market risk** | **Long Position** | **Short Position** | | | | | |
| Interest rate risk/rate of return risk | | | | | | | |
| - General interest rate risk/rate of return risk | 106,419,714 | 97,287,249 | | 1,720,720 | - | 1,720,720 | 137,658 |
| - Specific interest rate risk/rate of return risk | 9,791,321 | 586,575 | | 37,184 | - | 37,184 | 2,975 |
| Foreign currency risk | 322,258 | 600,976 | | 722,603 | - | 722,603 | 57,808 |
| Equity risk | | | | | | | |
| - General risk | 34,880 | 3,332 | | 31,549 | - | 31,549 | 2,524 |
| - Specific risk | 34,880 | 3,332 | | 34,535 | - | 34,535 | 2,763 |
| Option risk | 76,537 | 263,753 | | 99,224 | - | 99,224 | 7,938 |
| Total | **116,679,590** | **98,745,217** | | **2,645,815** | **-** | **2,645,815** | **211,666** |
| 4. **Operational risk** | | | | **6,361,469** | **-** | **6,361,469** | **508,918** |
| 5. **Total RWA and capital requirements** | | | | **108,791,230** | **421,896** | **108,369,334** | **8,669,547** |

* Profit Sharing Investment Account ("PSIA")

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

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

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

## 3.0 Capital Structure

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

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

## 3.1 CET1 Capital

CET1 Capital consists of the following:

**(a) Paid-up Capital**
Issued and paid-up capital that represents the most subordinated claim in liquidation of the financial institution.

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

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

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

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

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 30 September 2020, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM.

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

**(g) Other disclosed reserves comprise:**

**(i) Executive Share Scheme reserve**

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

### 3.1 CET1 Capital (Cont'd.)

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

**(ii) Treasury shares**

Treasury shares represents the shares of the Company listed on the Main Market of Bursa Malaysia bought back from the open market. Shares bought back are held as treasury shares in accordance with Section 127 (4)(b) of the Companies Act, 2016. These shares have no rights to vote, dividends and participate in other investments.

### 3.2 Additional Tier 1 Capital

No Additional Tier 1 ("AT1") issuance was made during the financial period under review.

### 3.3 Tier 2 Capital

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

**Basel III Subordinated Notes**

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

The salient features of the Subordinated Notes issued under this programme and outstanding as at 30 September 2020 are as follows:

| Issue Date | First Call Date | Tenor | Profit Rate | Nominal value outstanding (RM million) |
|---|---|---|---|---|
| 15 March 2017 | 15 March 2022 | 10 years Non-Callable 5 years | 5.20% per annum | 500 |
| 16 October 2017 | 17 October 2022 | 10 years Non-Callable 5 years | 4.90% per annum | 570 |
| 23 February 2018 | 23 February 2023 | 10 years Non-Callable 5 years | 5.23% per annum | 175 |
| 14 March 2018 | 14 March 2023 | 10 years Non-Callable 5 years | 5.23% per annum | 350 |
| 15 November 2018 | 15 November 2023 | 10 years Non-Callable 5 years | 4.98% per annum | 1,000 |
| **Total** | | | | **2,595** |

### 3.3 Tier 2 Capital (Cont'd.)

**Basel III Subordinated Sukuk Murabahah**

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

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

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2020 are as follows:

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

**Table 3.2: Capital Structure**

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

| | 30 September 2020 | | | |
|---|---|---|---|---|
| | **AmBank RM'000** | **AmBank Islamic RM'000** | **AmInvestment Bank RM'000** | **Group RM'000** |
| **CET1 Capital** | | | | |
| Ordinary share capital | 1,940,465 | 1,387,107 | 200,000 | 5,551,557 |
| Retained earnings | 7,910,089 | 2,331,241 | 319,949 | 12,198,837 |
| Fair value reserve | 653,552 | 120,601 | 1,539 | 966,822 |
| Foreign exchange translation reserve | 89,421 | - | - | 98,512 |
| Treasury shares | - | - | - | (16,714) |
| Regulatory reserve | - | - | - | - |
| Cash flow hedging deficit | (22,061) | - | - | (22,061) |
| Other remaining disclosed reserves | - | - | - | 55,078 |
| Less: Regulatory adjustments applied on CET1 Capital | | | | |
| Goodwill | - | - | - | (2,092,645) |
| Other intangible assets | (263,637) | (851) | (1,606) | (274,801) |
| Deferred tax assets | - | (740) | (6,228) | - |
| Cash flow hedging deficit | 22,061 | - | - | 22,061 |
| 55% of cumulative gains in fair value reserve | (359,454) | (66,330) | (846) | (531,752) |
| Regulatory reserve | - | - | - | - |
| Investment in capital instruments of unconsolidated financial and insurance/takaful entities | (8,488) | - | (49,809) | (1,334,000) |
| Unrealised fair value gains on financial liabilities due to changes in own credit risk | (1,017) | (166) | - | (1,018) |
| **CET1 Capital** | **9,960,931** | **3,770,862** | **462,999** | **14,619,876** |
| **Additional Tier 1 Capital** | | | | |
| Qualifying CET1, Additional Tier 1 Capital instruments held by third parties | - | - | - | 466 |
| **Tier 1 Capital** | **9,960,931** | **3,770,862** | **462,999** | **14,620,342** |
| **Tier 2 Capital** | | | | |
| Tier 2 Capital instruments meeting all relevant criteria for inclusion | 2,595,000 | 1,150,000 | - | - |
| Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties | - | - | - | 2,309,308 |
| General provisions* | 676,284 | 379,227 | 4 | 1,078,307 |
| **Tier 2 Capital** | **3,271,284** | **1,529,227** | **4** | **3,387,615** |
| **Total Capital** | **13,232,215** | **5,300,089** | **463,003** | **18,007,957** |

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

| | AmBank | AmBank Islamic | AmInvestment Bank | Group |
|---|---|---|---|---|
| Credit RWA | 68,059,312 | 31,480,066 | 640,843 | 98,909,408 |
| Less: Credit RWA absorbed by PSIA | - | (1,141,870) | - | (421,896) |
| Total Credit RWA | 68,059,312 | 30,338,196 | 640,843 | 98,487,512 |
| Market RWA | 2,235,743 | 254,547 | 29,832 | 2,645,815 |
| Operational RWA | 4,346,470 | 1,562,874 | 265,174 | 6,361,469 |
| Large exposure risk RWA for equity holdings | 873,872 | - | - | 874,538 |
| **Total RWA** | **75,515,397** | **32,155,617** | **935,849** | **108,369,334** |

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

**Table 3.2: Capital Structure (Cont'd.)**

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

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

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

| | AmBank RM'000 | AmBank Islamic RM'000 | AmInvestment Bank RM'000 | Group RM'000 |
|---|---|---|---|---|
| Credit RWA | 68,705,693 | 30,960,556 | 841,125 | 99,174,151 |
| Less: Credit RWA absorbed by PSIA | - | (912,582) | - | (192,639) |
| Total Credit RWA | 68,705,693 | 30,047,974 | 841,125 | 98,981,512 |
| Market RWA | 2,351,627 | 294,650 | 17,004 | 3,176,949 |
| Operational RWA | 4,217,469 | 1,539,751 | 263,707 | 6,191,409 |
| Large exposure risk RWA for equity holdings | 657,669 | - | - | 658,015 |
| **Total RWA** | **75,932,458** | **31,882,375** | **1,121,836** | **109,007,885** |

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

## 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 reviewed and approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/enhancements taking into consideration the prevailing or in anticipation of challenges 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 maintain its current financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2 AMMB Group aims to maintain a minimum Return on Equity ("ROE") of 12% and an RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, 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") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (FHC level) above the prevailing regulatory minimum (effective July 2020).
5 AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
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.

**Risk Management Governance**

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

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

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

*Profit after tax and non-controlling interests.

## 4.0 General Risk Management (CONT'D.)

### Risk Management Governance (cont'd.)

### Impact of COVID-19

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

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

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

It is too soon for the Group to see the full impact of COVID-19 on its portfolio, however, various activities within the Group have been carried out during the moratorium period to assess the portfolio health and to engage with our customers.

The Group has been engaging our SME customers through multiple channels and have been encouraging them to reach out to the banking subsidiaries if assistance is needed. We have also carried out reviews on our customers, especially those in vulnerable sectors and segments, to ascertain if immediate assistance is required. On-going monitoring of the performance of the larger SMEs is also in place.

Various packages have been set out to mitigate credit risk performance arising from the COVID-19 global pandemic post the completion of the government’s auto-moratorium period. These will be offered to performing customers with a minimum banking vintage relationship with the banking subsidiaries and includes:

1) Reduction of repayment commitments:
   a. Step-up repayment whilst maintaining the tenure
   b. Extension of tenure
2) Extension of moratorium period for customers that are in need

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

## 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<br>• Select asset and portfolio mix |
| **Assessment/ Measurement** | • Internal credit rating system<br>• Probability of default ("PD")<br>• Loss given default ("LGD")<br>• Exposure at default ("EAD") |
| **Control/ Mitigation** | • Portfolio Limits, Counterparty Limits<br>• Non-Retail Pricing and Risk-based pricing for Retail<br>• Collateral and tailored facility structures (discretionary lending)<br>• Pre-set assessment criteria and acceptance criteria (program lending) |
| **Monitoring/ Review** | • Monitor and report portfolio mix<br>• Review Classified Accounts<br>• Review Rescheduled and Restructured Accounts<br>• 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.

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. The role of Group Compliance ("GC") and Group Internal Audit Department ("GIAD") is to ensure such credit risk controls are reasonably adhered to. While the GC function is concerned with the banking subsidiaries' compliance to the laws and regulatory requirements both local and international, the GIAD function has a wider scope i.e. identifying the risk within the lines of business through audit exercise which is performed on periodic basis.

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 GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and internal limits designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing
- Non-Retail Credit Policy ("NRCP"), which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management 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;
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF;
- Undertake following initiatives (Retail Banking division) to mitigate credit risk performance arising from the COVID-19 global pandemic:-
  - a) Automatic loan moratorium for eligible customers from April 2020 to September 2020
  - b) Post-moratorium targeted repayment assistance as follows :-
    - i) 3-months payment holiday for customers who have lost employment or income has reduced by >75%
    - ii) 6-months to 2-years reduced installment for customers with reduced income up to 75%.
  - c) Perform vulnerable segment analysis for sectors impacted by the COVID-19 pandemic (e.g. hotel, restaurant and aviation).

Exposure outside the approval discretions of individual Credit Approval Delegation ("CAD") holders are escalated to the Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds a stipulated customer group threshold within the AmBank Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). 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 GRAF and recommend or approve new and amended credit risk policies or guidelines.

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 to executive management and to all meetings of the Board.

### 5.1 Impairment

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

a. The Group considers that an obligor is unlikely to repay in full its credit obligations to the Group.

b. The obligor has breached its contractual payment obligations and past due for more than 90 days.

c. Other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay.

However, in specific and special circumstances, there will be cases where past due exposures (more than 90 days) are not considered to be impaired. These are exposures that are exempted from being classified impaired as sanctioned by the regulator from time to time.

Where exposures are being restructured, such restructuring is guided by the definition and requirements of rescheduling and restructuring ("R&R") provided by BNM Credit Risk Policy.

#### 5.1.1 Group Provisioning Methodology

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

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

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

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

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

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

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

Changes in credit quality since initial recognition

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

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

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

**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 2020 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | - | - | - | - | - | - | - | - | 9,824,905 | - | - | - | - | - | 9,824,905 |
| PSEs | - | - | - | - | - | - | - | - | 3,190 | - | - | - | - | - | 3,190 |
| Banks, DFIs and MDBs | - | - | - | - | - | - | - | 8,645,899 | - | - | - | - | - | - | 8,645,899 |
| Corporates | 2,559,577 | 2,683,884 | 12,370,841 | 2,372,023 | 6,908,871 | 6,572,573 | 5,406,391 | 5,666,205 | - | 8,715,055 | 3,309,531 | 2,951,210 | 614,624 | 2,891 | 60,133,676 |
| Regulatory retail | 59,838 | 17,341 | 668,220 | 70,265 | 450,006 | 1,152,488 | 215,559 | 10,595 | - | 113,590 | 386,676 | 83,710 | 36,304,150 | 2,922 | 39,535,360 |
| Residential mortgages | - | - | - | - | - | - | - | - | - | - | - | - | 21,674,497 | - | 21,674,497 |
| Higher risk assets | - | - | - | - | - | - | - | - | - | - | - | - | 19,732 | 686,874 | 706,606 |
| Other assets | - | 188 | - | - | - | - | - | 30,044 | 188,364 | 188 | 40,771 | - | 87,322 | 1,802,965 | 2,149,842 |
| Securitisation exposures | - | - | - | - | - | - | - | 15,948 | - | - | - | - | - | - | 15,948 |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | 54 | 54 |
| Defaulted exposures | 78,658 | 37,504 | 244,221 | - | 134,293 | 78,479 | 47,692 | - | - | 306,593 | 26,043 | 6,416 | 191,467 | 439 | 1,151,805 |
| **Total for on balance sheet exposures** | **2,698,073** | **2,738,917** | **13,283,282** | **2,442,288** | **7,493,170** | **7,803,540** | **5,669,642** | **14,368,691** | **10,016,459** | **9,135,426** | **3,763,021** | **3,041,336** | **58,891,792** | **2,496,145** | **143,841,782** |
| **Off balance sheet exposures** | | | | | | | | | | | | | | | |
| OTC derivatives | 15,313 | 30,567 | 290,407 | 34 | 1,176 | 7,358 | 423,733 | 1,246,134 | - | 2,515 | 152,801 | 511 | 49,193 | - | 2,219,742 |
| Credit derivatives | - | - | - | - | - | - | - | 11 | - | - | - | - | - | - | 11 |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives | 261,871 | 433,986 | 2,126,508 | 355,488 | 3,242,649 | 1,207,286 | 415,234 | 286,018 | 3,719,047 | 756,685 | 321,472 | 174,214 | 2,057,613 | 673 | 15,358,744 |
| Defaulted exposures | 13 | 32 | 10,654 | - | 10,627 | 184 | - | - | - | 9,854 | 91 | - | 11,477 | - | 42,932 |
| **Total for off balance sheet exposures** | **277,197** | **464,585** | **2,427,569** | **355,522** | **3,254,452** | **1,214,828** | **838,967** | **1,532,163** | **3,719,047** | **769,054** | **474,364** | **174,725** | **2,118,283** | **673** | **17,621,429** |
| **Total on and off balance sheet exposures** | **2,975,270** | **3,203,502** | **15,710,851** | **2,797,810** | **10,747,622** | **9,018,368** | **6,508,609** | **15,900,854** | **13,735,506** | **9,904,480** | **4,237,385** | **3,216,061** | **61,010,075** | **2,496,818** | **161,463,211** |

**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: (con'td.)

| | 31 MARCH 2020 (Restated) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | - | - | - | - | - | - | - | - | 22,597,897 | - | - | - | - | - | 22,597,897 |
| PSEs | - | - | - | - | - | - | - | - | 3,439 | - | - | - | - | - | 3,439 |
| Banks, DFIs and MDBs | - | - | - | - | - | - | - | 4,947,493 | - | - | - | - | - | - | 4,947,493 |
| Corporates[Note 1] | 2,851,836 | 2,427,085 | 12,705,293 | 1,927,075 | 6,949,387 | 6,692,837 | 5,231,140 | 5,468,219 | - | 8,718,024 | 3,605,458 | 4,030,211 | 1,563,748 | 4,596 | 62,174,909 |
| Regulatory retail[Note 1] | 50,298 | 11,557 | 519,694 | 49,509 | 365,367 | 891,475 | 156,264 | 9,703 | - | 97,994 | 297,819 | 71,341 | 33,255,114 | 2,028 | 35,778,163 |
| Residential mortgages | - | - | - | - | - | - | - | - | - | - | - | - | 20,747,400 | - | 20,747,400 |
| Higher risk assets | - | - | - | - | - | - | - | - | - | - | - | - | 19,573 | 593,585 | 613,158 |
| Other assets | - | 5 | - | - | - | - | - | 25,611 | - | 176 | 21,786 | - | 59,592 | 2,220,035 | 2,327,205 |
| Securitisation exposures | - | - | - | - | - | - | - | 10,780 | - | - | - | - | - | - | 10,780 |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | 44 | 44 |
| Defaulted exposures[Note1] | 84,701 | 39,508 | 194,940 | 204 | 56,241 | 85,126 | 57,106 | - | - | 306,313 | 30,151 | 6,994 | 597,559 | 442 | 1,459,285 |
| **Total for on balance sheet exposures** | **2,986,835** | **2,478,155** | **13,419,927** | **1,976,788** | **7,370,995** | **7,669,438** | **5,444,510** | **10,461,806** | **22,601,336** | **9,122,507** | **3,955,214** | **4,108,546** | **56,242,986** | **2,820,730** | **150,659,773** |
| **Off balance sheet exposures** | | | | | | | | | | | | | | | |
| OTC derivatives | 15,861 | 33,134 | 347,048 | 207 | 2,054 | 10,592 | 607,555 | 1,529,537 | - | 3,903 | 106,315 | 3,344 | 64,273 | - | 2,723,823 |
| Credit derivatives | - | - | - | - | - | - | - | 12 | - | - | - | - | - | - | 12 |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives[Note 1] | 263,231 | 476,129 | 2,262,448 | 414,230 | 3,214,458 | 1,080,167 | 580,679 | 1,433,176 | 5,446,856 | 714,515 | 371,319 | 141,271 | 2,233,502 | 1,000 | 18,632,981 |
| Defaulted exposures | - | 114 | 3,676 | - | 7,905 | 46 | 79 | - | - | 9,854 | 81 | - | 13,827 | - | 35,582 |
| **Total for off balance sheet exposures** | **279,092** | **509,377** | **2,613,172** | **414,437** | **3,224,417** | **1,090,805** | **1,188,313** | **2,962,725** | **5,446,856** | **728,272** | **477,715** | **144,615** | **2,311,602** | **1,000** | **21,392,398** |
| **Total on and off balance sheet exposures** | **3,265,927** | **2,987,532** | **16,033,099** | **2,391,225** | **10,595,412** | **8,760,243** | **6,632,823** | **13,424,531** | **28,048,192** | **9,850,779** | **4,432,929** | **4,253,161** | **58,554,588** | **2,821,730** | **172,052,171** |

Note 1:
The Group continuously strengthen its regulatory reporting framework. The Group has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Group had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Group makes disclosures pertaining to loans, advances and financing and related allowances for expected credit losses by sector. The comparatives in certain tables are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported total on and off balance sheet exposures.

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

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

| | 30 SEPTEMBER 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Total RM'000 |
| Impaired loans, advances and financing | 83,267 | 51,471 | 322,576 | 142 | 97,797 | 172,225 | 59,609 | 2 | 314,766 | 46,346 | 10,560 | 579,650 | **1,738,411** |
| Past due loans/financing | 94,586 | 46,351 | 207,005 | 5,875 | 320,797 | 208,047 | 59,963 | 1,667 | 343,609 | 100,537 | 25,186 | 4,769,451 | **6,183,074** |
| Allowances for Expected Credit Losses | 14,446 | 20,625 | 198,844 | 6,459 | 82,068 | 109,923 | 29,271 | 4,295 | 48,720 | 28,471 | 6,971 | 1,120,493 | **1,670,586** |
| Charges/(writeback) for individual allowance | 2,004 | 1,496 | 9,945 | - | 18,455 | 48,751 | (11,675) | - | 9,279 | 4,830 | 830 | (4,091) | **79,824** |
| Write-offs against individual allowance and other movements | - | 1,577 | 678 | - | 27 | 561 | - | - | 8,910 | - | - | - | **11,753** |

| | 31 MARCH 2020 (Restated) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Total RM'000 |
| Impaired loans, advances and financing* | 84,503 | 53,591 | 247,556 | 495 | 84,278 | 134,038 | 80,894 | 2 | 314,347 | 48,506 | 10,187 | 794,236 | **1,852,633** |
| Past due loans/financing* | 32,808 | 58,321 | 628,191 | 7,866 | 405,063 | 697,770 | 165,191 | 93,806 | 413,496 | 144,357 | 38,380 | 11,045,120 | **13,730,369** |
| Allowances for Expected Credit Losses* | 16,620 | 26,708 | 127,817 | 6,960 | 78,687 | 70,704 | 38,799 | 6,694 | 51,744 | 28,883 | 11,392 | 802,602 | **1,267,610** |
| Charges/(writeback) for individual allowance | 1,455 | 21,045 | 72,287 | - | 41,839 | 32,238 | 19,306 | - | (7,622) | 6,811 | 5,243 | 4,823 | **197,425** |
| Write-offs against individual allowance and other movements | - | 17,340 | 66,940 | - | 7,169 | 18,960 | 4,708 | - | 65,280 | 1,457 | 28,515 | 2,981 | **213,350** |

* Refer to Note 1 in Table 5.1

**Table 5.3: Geographical distribution of credit exposures**

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

| | 30 SEPTEMBER 2020 | | |
|---|---|---|---|
| | **In Malaysia RM'000** | **Outside Malaysia RM'000** | **Total RM'000** |
| **On balance sheet exposures** | | | |
| Sovereigns/Central banks | 9,781,187 | 43,718 | 9,824,905 |
| PSEs | 3,190 | - | 3,190 |
| Banks, DFIs and MDBs | 5,528,136 | 3,117,763 | 8,645,899 |
| Corporates | 59,342,934 | 790,742 | 60,133,676 |
| Regulatory retail | 39,522,954 | 12,406 | 39,535,360 |
| Residential mortgages | 21,674,497 | - | 21,674,497 |
| Higher risk assets | 706,085 | 521 | 706,606 |
| Other assets | 1,997,404 | 152,438 | 2,149,842 |
| Securitisation exposures | 15,948 | - | 15,948 |
| Equity exposures | 54 | - | 54 |
| Defaulted exposures | 1,120,759 | 31,046 | 1,151,805 |
| **Total for on balance sheet exposures** | **139,693,148** | **4,148,634** | **143,841,782** |
| | | | |
| **Off balance sheet exposures** | | | |
| OTC derivatives | 1,807,076 | 412,666 | 2,219,742 |
| Credit derivatives | - | 11 | 11 |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives | 15,300,281 | 58,463 | 15,358,744 |
| Defaulted exposures | 42,932 | - | 42,932 |
| **Total for off balance sheet exposures** | **17,150,289** | **471,140** | **17,621,429** |
| | | | |
| **Total for on balance sheet exposures** | **156,843,437** | **4,619,774** | **161,463,211** |

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

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

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

| | 30 SEPTEMBER 2020 | | |
|---|---|---|---|
| | **In Malaysia RM'000** | **Outside Malaysia RM'000** | **Total RM'000** |
| Impaired loans, advances and financing | 1,695,905 | 42,506 | 1,738,411 |
| Past due loans/financing | 6,140,568 | 42,506 | 6,183,074 |
| Allowances for Expected Credit Losses | 1,657,812 | 12,774 | 1,670,586 |

| | 31 MARCH 2020 (Restated) | | |
|---|---|---|---|
| | **In Malaysia RM'000** | **Outside Malaysia RM'000** | **Total RM'000** |
| Impaired loans, advances and financing | 1,808,511 | 44,122 | 1,852,633 |
| Past due loans/financing* | 13,686,247 | 44,122 | 13,730,369 |
| Allowances for Expected Credit Losses | 1,253,749 | 13,861 | 1,267,610 |

* Refer to Note 1 in Table 5.1

**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 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >1 month to 3 months RM'000 | >3 months to 6 months RM'000 | >6 months to 12 months RM'000 | >1 year to 3 years RM'000 | >3 years to 5 years RM'000 | > 5 years RM'000 | No maturity specified RM'000 | Total RM'000 |
| **On balance sheet exposures** | | | | | | | | | |
| Sovereigns/Central banks | 1,892,967 | - | 11,253 | 355,917 | 1,119,096 | 2,688,192 | 3,757,480 | - | 9,824,905 |
| PSEs | - | - | - | - | - | 369 | 2,821 | - | 3,190 |
| Banks, DFIs and MDBs | 4,343,669 | 1,860,925 | 557,355 | 144,640 | 826,129 | 471,733 | 441,448 | - | 8,645,899 |
| Corporates | 17,827,632 | 5,156,154 | 4,197,120 | 7,244,440 | 6,350,158 | 5,913,460 | 13,444,712 | - | 60,133,676 |
| Regulatory retail | 142,686 | 48,643 | 190,602 | 3,024,689 | 2,357,769 | 4,174,716 | 29,596,255 | - | 39,535,360 |
| Residential mortgages | 747 | 140 | 470 | 3,894 | 53,666 | 144,654 | 21,470,926 | - | 21,674,497 |
| Higher risk assets | 9 | - | 1 | 288 | 336 | 766 | 18,333 | 686,873 | 706,606 |
| Other assets | 675,144 | - | - | 188,364 | - | - | - | 1,286,334 | 2,149,842 |
| Securitisation exposures | - | - | - | - | - | - | 15,948 | - | 15,948 |
| Equity exposures | - | - | - | - | - | - | - | 54 | 54 |
| Defaulted exposures | 462,292 | 3,448 | 18,067 | 165,228 | 141,010 | 107,080 | 254,680 | - | 1,151,805 |
| **Total for on balance sheet exposures** | **25,345,146** | **7,069,310** | **4,974,868** | **11,127,615** | **10,848,164** | **13,500,970** | **69,002,448** | **1,973,261** | **143,841,782** |
| **Off balance sheet exposures** | | | | | | | | | |
| OTC derivatives | 73,021 | 109,241 | 177,862 | 342,767 | 59,428 | 595,997 | 861,426 | - | 2,219,742 |
| Credit derivatives | - | - | - | 11 | - | - | - | - | 11 |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives | 3,805,766 | 2,004,144 | 2,163,239 | 6,636,929 | 5,219 | 47,151 | 696,296 | - | 15,358,744 |
| Defaulted exposures | 6,140 | 2,786 | 5,002 | 19,885 | 407 | 484 | 8,228 | - | 42,932 |
| **Total for off balance sheet exposures** | **3,884,927** | **2,116,171** | **2,346,103** | **6,999,592** | **65,054** | **643,632** | **1,565,950** | **-** | **17,621,429** |
| **Total for on balance sheet exposures** | **29,230,073** | **9,185,481** | **7,320,971** | **18,127,207** | **10,913,218** | **14,144,602** | **70,568,398** | **1,973,261** | **161,463,211** |

**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 2020 (Restated) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >1 month to 3 months RM'000 | >3 months to 6 months RM'000 | >6 months to 12 months RM'000 | >1 year to 3 years RM'000 | >3 years to 5 years RM'000 | > 5 years RM'000 | No maturity specified RM'000 | Total RM'000 |
| **On balance sheet exposures** | | | | | | | | | |
| Sovereigns/Central banks | 13,673,642 | 558,652 | 843,017 | 11,274 | 1,441,408 | 1,777,997 | 4,291,907 | - | 22,597,897 |
| PSEs | - | - | - | - | - | - | 3,439 | - | 3,439 |
| Banks, DFIs and MDBs | 3,117,051 | 96,794 | 123,665 | 66,669 | 158,924 | 823,582 | 560,808 | - | 4,947,493 |
| Corporates* | 16,890,613 | 6,434,929 | 3,400,173 | 9,803,130 | 6,804,388 | 6,315,194 | 12,526,482 | - | 62,174,909 |
| Regulatory retail* | 92,074 | 53,591 | 98,612 | 2,469,669 | 2,639,989 | 4,278,372 | 26,145,856 | - | 35,778,163 |
| Residential mortgages | 876 | 272 | 1,333 | 5,552 | 61,364 | 165,582 | 20,512,421 | - | 20,747,400 |
| Higher risk assets | 11 | 1 | - | 3 | 604 | 860 | 18,094 | 593,585 | 613,158 |
| Other assets | 1,068,648 | - | - | - | - | - | - | 1,258,557 | 2,327,205 |
| Securitisation exposures | - | - | - | - | - | - | 10,780 | - | 10,780 |
| Equity exposures | - | - | - | - | - | - | - | 44 | 44 |
| Defaulted exposures* | 518,920 | 3,492 | 10,407 | 138,735 | 64,760 | 87,232 | 635,739 | - | 1,459,285 |
| **Total for on balance sheet exposures** | **35,361,835** | **7,147,731** | **4,477,207** | **12,495,032** | **11,171,437** | **13,448,819** | **64,705,526** | **1,852,186** | **150,659,773** |
| **Off balance sheet exposures** | | | | | | | | | |
| OTC derivatives* | 62,282 | 110,480 | 291,267 | 704,073 | 26,755 | 636,943 | 892,023 | - | 2,723,823 |
| Credit derivatives | - | - | - | - | 12 | - | - | - | 12 |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives* | 8,071,197 | 991,579 | 1,223,755 | 7,134,875 | 35,439 | 114,158 | 1,061,978 | - | 18,632,981 |
| Defaulted exposures* | 2,992 | 3,434 | 5,672 | 12,259 | 516 | 638 | 10,071 | - | 35,582 |
| **Total for off balance sheet exposures** | **8,136,471** | **1,105,493** | **1,520,694** | **7,851,207** | **62,722** | **751,739** | **1,964,072** | **-** | **21,392,398** |
| **Total on and off balance sheet exposures** | **43,498,306** | **8,253,224** | **5,997,901** | **20,346,239** | **11,234,159** | **14,200,558** | **66,669,598** | **1,852,186** | **172,052,171** |

* Refer to Note 1 in Table 5.1

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

The disclosure on reconciliation of loan loss allowances can be found in Note A13 of the interim financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

| **FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020** | |
|---|---|
| | **(Charge off)/ recoveries** |
| | **RM'000** |
| Bad debts written off during the financial period | (21,151) |
| Bad debt recoveries during the financial period | 214,313 |

| **FINANCIAL YEAR ENDED 31 MARCH 2020** | |
|---|---|
| | **(Charge off)/ recoveries** |
| | **RM'000** |
| Bad debts written off during the financial year | (51,291) |
| Bad debt recoveries during the financial year | 395,072 |

## 6.0 Credit Risk Exposure under Standardised Approach

The Group uses external ratings for credit exposures to assign risk-weights under the Standardised Approach where relevant.

**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 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposures after netting and credit risk mitigation | | | | | | | | | | | | |
| Risk weights | Sovereigns and Central banks RM'000 | PSEs RM'000 | Banks, DFIs and MDBs RM'000 | Insurance Companies, Securities firms and Fund managers RM'000 | Corporates RM'000 | Regulatory retail RM'000 | Residental mortgages RM'000 | Higher risk assets RM'000 | Other assets RM'000 | Securitisation exposures RM'000 | Equity exposures RM'000 | Total Exposures after Netting and CRM RM'000 | Total Risk Weighted Assets RM'000 |
| 0% | 10,272,834 | - | 365,000 | - | 6,790,038 | 63 | - | - | 430,612 | - | - | 17,858,547 | - |
| 20% | 38,965 | 3,190 | 8,897,666 | - | 7,218,551 | 1,295,522 | - | - | 48,436 | 15,858 | - | 17,518,188 | 3,503,638 |
| 35% | - | - | - | - | - | - | 16,671,060 | - | - | - | - | 16,671,060 | 5,834,871 |
| 50% | - | - | 553,788 | - | 233,656 | 17,690 | 5,157,239 | - | - | - | - | 5,962,373 | 2,981,187 |
| 75% | - | - | - | - | - | 25,528,871 | - | - | - | - | - | 25,528,871 | 19,146,653 |
| 100% | - | - | - | 15,631 | 52,284,457 | 11,492,695 | 40,258 | - | 1,670,794 | - | 54 | 65,503,889 | 65,503,889 |
| 150% | - | - | - | - | 514,276 | 53,469 | - | 724,285 | - | - | - | 1,292,030 | 1,938,045 |
| 1250% | - | - | - | - | - | - | - | - | - | 90 | - | 90 | 1,125 |
| **Total** | **10,311,799** | **3,190** | **9,816,454** | **15,631** | **67,040,978** | **38,388,310** | **21,868,557** | **724,285** | **2,149,842** | **15,948** | **54** | **150,335,048** | **98,909,408** |

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

**Table 6.2: Rated Exposures according to Ratings by ECAIs**

| | 30 SEPTEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Corporate by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | | | |
| **Credit exposures (using corporate risk weights)** | | | | | | |
| PSE (applicable for entities risk weighted based on their external ratings as corporates) | 3,190 | - | - | - | - | 3,190 |
| Insurance companies, Securities firms and Fund managers | 15,631 | - | - | - | - | 15,631 |
| Corporates | 71,236,892 | 4,665,740 | 74,755 | 77,064 | - | 66,419,333 |
| **Total** | **71,255,713** | **4,665,740** | **74,755** | **77,064** | **-** | **66,438,154** |

| | 31 MARCH 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Corporate by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | | | |
| **Credit exposures (using corporate risk weights)** | | | | | | |
| PSE (applicable for entities risk weighted based on their external ratings as corporates) | 3,439 | - | - | - | - | 3,439 |
| Insurance companies, Securities firms and Fund managers | 25 | - | - | - | - | 25 |
| Corporates | 74,702,866 | 5,277,202 | 1,799,275 | - | - | 67,626,389 |
| **Total** | **74,706,330** | **5,277,202** | **1,799,275** | **-** | **-** | **67,629,853** |

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

| | 30 SEPTEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Sovereigns and Central Banks by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure Class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and Off-Balance Sheet Exposures** | | | | | | |
| Sovereigns and Central banks | 12,320,025 | - | 12,320,025 | - | - | - |
| **Total** | **12,320,025** | - | **12,320,025** | **-** | - | - |

| | 31 MARCH 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Sovereigns and Central Banks by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure Class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and Off-Balance Sheet Exposures** | | | | | | |
| Sovereigns and Central banks | 28,044,753 | - | 27,974,397 | 70,356 | - | - |
| **Total** | **28,044,753** | - | **27,974,397** | **70,356** | - | - |

| | 30 SEPTEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Banking Institutions by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | | | |
| Banks, DFIs and MDBs | 11,123,305 | 4,879,404 | 1,156,882 | 328,686 | - | 4,758,333 |
| **Total** | **11,123,305** | **4,879,404** | **1,156,882** | **328,686** | **-** | **4,758,333** |

| | 31 MARCH 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Ratings of Banking Institutions by Approved ECAIs | | | | | |
| | 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 | B1 to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| **Group** | | | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | | | |
| Banks, DFIs and MDBs | 7,280,558 | 3,317,292 | 623,173 | 322,084 | 464 | 3,017,545 |
| **Total** | **7,280,558** | **3,317,292** | **623,173** | **322,084** | **464** | **3,017,545** |

**Table 6.3: Securitisation according to Ratings by ECAIs**

| | 30 SEPTEMBER 2020 | | | |
|---|---|---|---|---|
| | Ratings of Securitisation by Approved ECAIs | | | |
| | Moody's | 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 |
| **Group** | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | |
| Securitisation exposures | 15,948 | 15,858 | - | 90 |
| **Total** | **15,948** | **15,858** | **-** | **90** |

| | 31 MARCH 2020 | | | |
|---|---|---|---|---|
| | Ratings of Securitisation by Approved ECAIs | | | |
| | Moody's | 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 |
| **Group** | | | | |
| **Exposure class** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **On and off balance sheet exposures** | | | | |
| Securitisation exposures | 10,780 | 10,690 | - | 90 |
| **Total** | **10,780** | **10,690** | **-** | **90** |

## 7.0 Credit Risk Mitigation

**Collateral taken by the Group**

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

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

The existence of collateral does not make a poor loan/financing good. Thus, loan/financing that cannot be repaid from cash generated in the normal course of a prospective borrower/customer's business should not be made, regardless of the quality of the collateral. The one exception is the case in which a facility is fully collateralized by cash.

The Credit Risk Mitigation Policy, is the internally recognised collateral framework. Any collateral that is not listed in the said policy or does not conform to the requirements outlined in that policy is not eligible for capital relief for regulatory capital purposes.

**Processes for collateral 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. Where a counterparty's corporate guarantor is rated better than the counterparty, the credit risk rating of the corporate guarantor shall be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions.

Guarantee by a counterparty with lower rating than the borrower/customer is not recognised for credit risk mitigation purposes.

**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 tenure of the loan/financing, amortisation schedules and loan/financing covenants. These assist in managing credit risk and providing early warning signals, to enable pre-emptive actions to protect the quality or recoverability of loan/financing assets.

**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.

**Table 7.1: Credit Risk Mitigation**

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

| Exposures | 30 SEPTEMBER 2020 | | |
|---|---|---|---|
| | 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 | 9,824,905 | - | - |
| PSEs | 3,190 | - | - |
| Banks, DFIs And MDBs | 8,645,899 | - | - |
| Corporates | 60,133,676 | 1,482,291 | 4,137,767 |
| Regulatory retail | 39,535,360 | 1,267,462 | 4,659,250 |
| Residential mortgages | 21,674,497 | - | 34,942 |
| Higher risk assets | 706,606 | - | 10 |
| Other assets | 2,149,842 | - | - |
| Securitisation exposures | 15,948 | - | - |
| Equity exposures | 54 | - | - |
| Defaulted exposures | 1,151,805 | 36,428 | 110,899 |
| **Total for on balance sheet exposures** | **143,841,782** | **2,786,181** | **8,942,868** |
| | | | |
| **Off balance sheet exposures** | | | |
| OTC derivatives | 2,219,742 | - | 496,898 |
| Credit derivatives | 11 | - | - |
| Off balance sheet exposures other than OTC derivatives or Credit derivatives | 15,358,744 | 544,180 | 6,894,803 |
| Defaulted exposures | 42,932 | - | 20,395 |
| **Total for off balance sheet exposures** | **17,621,429** | **544,180** | **7,412,096** |
| **Total on and off balance sheet exposures** | **161,463,211** | **3,330,361** | **16,354,964** |

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

**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 2020 | | | |
|---|---|---|---|---|
| | 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** | 2,322,443 | | 2,155,518 | 1,790,376 |
| **Transaction related contingent Items** | 4,183,978 | | 2,175,160 | 1,720,788 |
| **Short Term Self Liquidating trade related contingencies** | 627,885 | | 125,577 | 120,076 |
| **Forward Asset Purchases** | 499,641 | | 14,910 | 7,907 |
| **Obligations under on-going underwriting agreements** | 8,615 | | - | - |
| **Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions** | 3,291,816 | | 3,719,047 | 16,513 |
| **Foreign exchange related contracts** | | | | |
| One year or less | 17,887,726 | 146,075 | 268,681 | 169,810 |
| Over one year to five years | 4,179,266 | 155,662 | 431,517 | 371,311 |
| Over five years | 760,640 | 10,127 | 105,033 | 73,286 |
| **Interest/Profit rate related contracts** | | | | |
| One year or less | 382,325 | 564 | 1,739 | 1,223 |
| Over one year to five years | 2,567,671 | 39,672 | 77,822 | 33,086 |
| Over five years | 1,685,803 | 105,227 | 290,749 | 242,673 |
| **Equity and commodity related contracts** | | | | |
| One year or less | 739,733 | 29,006 | 64,882 | 39,785 |
| **Other Commodity Contracts** | | | | |
| One year or less | 610,767 | 50,812 | 78,456 | 71,412 |
| Over one year to five years | 76,508 | 6,374 | 10,556 | 5,278 |
| **Credit Derivative Contracts** | | | | |
| One year or less | 348,523 | 2,060 | 11 | 6 |
| **OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements** | 63,978,745 | 1,152,765 | 890,307 | 331,172 |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year** | 17,801,673 | | 1,925,600 | 1,181,390 |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year** | 1,865,219 | | 4,254,943 | 2,401,934 |
| **Unutilised credit card lines** | 5,154,604 | | 1,030,921 | 768,003 |
| **Total** | 128,973,581 | 1,698,344 | 17,621,429 | 9,346,029 |

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

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

| | 31 MARCH 2020 | | | |
|---|---|---|---|---|
| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Assets RM'000 |
| **Direct Credit Substitutes** | 2,553,489 | | 2,371,427 | 1,989,389 |
| **Transaction related contingent Items** | 4,286,704 | | 2,234,294 | 1,748,743 |
| **Short Term Self Liquidating trade related contingencies** | 723,120 | | 144,624 | 129,913 |
| **Forward Asset Purchases** | 1,989,103 | | 69,188 | 67,538 |
| **Obligations under an on-going underwriting agreements** | 20,000 | | - | - |
| **Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions** | 6,501,681 | | 6,533,889 | 1,694 |
| **Foreign exchange related contracts** | | | | |
| One year or less | 16,307,370 | 187,312 | 269,176 | 196,830 |
| Over one year to five years | 4,679,672 | 198,920 | 482,340 | 423,809 |
| Over five years | 472,438 | 16,062 | 59,887 | 59,887 |
| **Interest/Profit rate related contracts** | | | | |
| One year or less | 752,863 | 1,517 | 5,031 | 2,396 |
| Over one year to five years | 2,591,736 | 35,575 | 76,149 | 24,594 |
| Over five years | 1,658,110 | 115,401 | 300,409 | 252,293 |
| **Equity and commodity related contracts** | | | | |
| One year or less | 773,980 | 44,655 | 81,139 | 48,810 |
| **Other Commodity Contracts** | | | | |
| One year or less | 863,875 | 161,629 | 231,227 | 213,780 |
| Over one year to five years | 132,040 | 17,031 | 27,688 | 20,020 |
| **Credit Derivative Contracts** | | | | |
| Over one year to five years | 356,069 | 1,954 | 12 | 6 |
| **OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements** | 71,256,896 | 1,297,225 | 1,190,777 | 582,098 |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year** | 16,873,188 | | 2,782,713 | 1,831,860 |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year** | 2,056,411 | | 3,506,910 | 2,107,365 |
| **Unutilised credit card lines** | 5,127,590 | | 1,025,518 | 764,476 |
| **Total** | **139,976,335** | **2,077,281** | **21,392,398** | **10,465,501** |

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

| Group | | 30 September 2020 | | 31 March 2020 | |
|---|---|---|---|---|---|
| | | 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 | 198,523 | 150,000 | 206,069 | 150,000 |

*Out of the total notional exposure for protection bought as at 30 September 2020, RM150,000,000 (31 March 2020: 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 securitised exposures of the Group is as follows:

| | 30 SEPTEMBER 2020 | | | |
|---|---|---|---|---|
| **Underlying Asset** | **Total Exposures Securitised RM'000** | **Past Due RM'000** | **Impaired RM'000** | **Gains/ losses recognised during the period RM'000** |
| **Traditional Securitisation** | | | | |
| **Originated by the Group** | | | | |
| Banking Book | | | | |
| Mortgage loans | 1,017,432 | - | 1,009,639 | - |
| **Total Traditional Securitisation** | **1,017,432** | **-** | **1,009,639** | **-** |

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

The Group did not have any exposures under synthetic securitisation as at 30 September 2020 and 31 March 2020.

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

| | 30 SEPTEMBER 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | | | | **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 | 15,858 | 15,858 | - | 15,858 | - | - | 3,172 |
| **Originated by the Group** | | | | | | | |
| On Balance Sheet Exposures | 90 | 90 | - | - | - | 90 | 1,125 |
| **Total Traditional Securitisation** | **15,948** | **15,948** | **-** | **15,858** | **-** | **90** | **4,297** |

| | 31 MARCH 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | | | | **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 | 10,690 | 10,690 | - | 10,690 | - | - | 2,138 |
| **Originated by the Group** | | | | | | | |
| On Balance Sheet Exposures | 90 | 90 | - | - | - | 90 | 1,125 |
| **Total Traditional Securitisation** | **10,780** | **10,780** | **-** | **10,690** | **-** | **90** | **3,263** |

There is no securitisation exposure under trading book as at 30 September 2020 and 31 March 2020.

## 10.0 Non-Traded Market Risk ("NTMR")

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

**Table 10.1: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book**
The IRR/RORBB sensitivity for the Group is as follows:

| | 30 SEPTEMBER 2020 | |
|---|---|---|
| | **Interest Rate/ Rate of Return +100 bps RM'000** | **Interest Rate/ Rate of Return -100 bps RM'000** |
| Impact on Profit Before Taxation | 75,247 | (75,247) |
| Impact on Equity | (814,898) | 894,009 |

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

## 11.0 Equities (Banking Book Positions)

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.

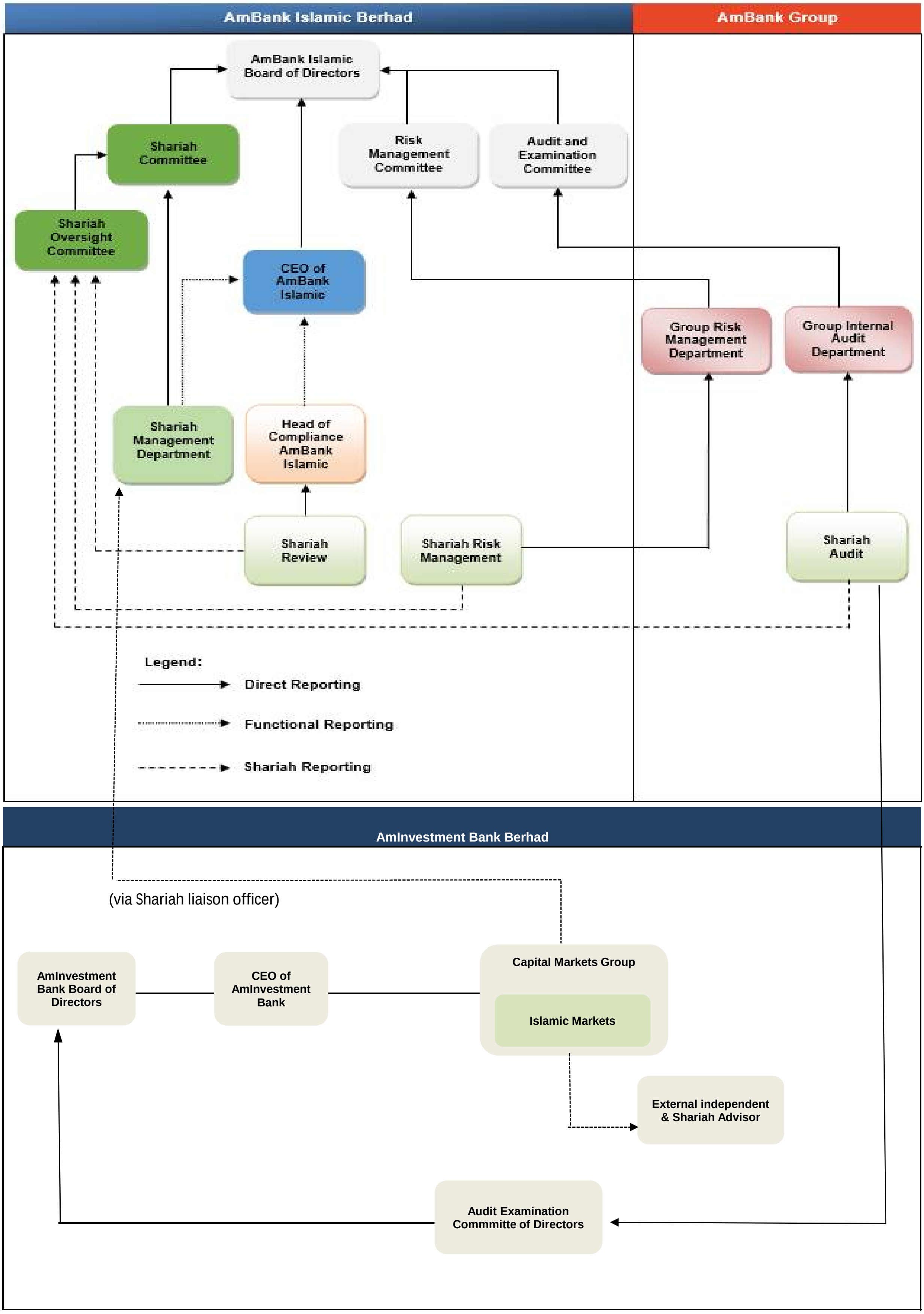
**Table 11.1: Equity investments and capital requirement**
An analysis of equity investments by appropriate equity groupings and risk weighted assets of the Group is as follows:

| | **30 SEPTEMBER 2020 RM'000** | **31 MARCH 2020 RM'000** |
|---|---|---|
| **Non traded equity investments** | | |
| Value of quoted (publicly traded) equities | - | - |
| Value of unquoted (privately held) equities | 686,825 | 593,551 |
| **Total** | **686,825** | **593,551** |
| **Net realised and unrealised gains/(losses)** | | |
| Cumulative realised gains from sales and liquidations | - | - |
| Total unrealised gains/(losses) | 93,583 | 69,377 |
| **Total** | **93,583** | **69,377** |
| **Risk Weighted Assets** | | |
| Equity investments subject to a 100% risk weight | - | - |
| Equity investments subject to a 150% risk weight | 1,030,237 | 890,327 |
| **Total** | **1,030,237** | **890,327** |
| **Total minimum capital requirement (8%)** | **82,419** | **71,226** |

## 12.0 Liquidity Risk and Funding Management

The liquidity risk management of the Group is aligned to the Liquidity Coverage Ratio (“LCR”) policy and Net Stable Funding Ratio (“NSFR”) policy issued by BNM.

## 13.0 Shariah Governance Structure



## 13.0 Shariah Governance Structure (Cont'd.)

AmBank Islamic has established its Shariah governance structure in accordance with the requirements of the Islamic Financial Services Act 2013 ("IFSA") and BNM's Policy Document on Shariah Governance. This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

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

**Board of Directors**

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

**Audit and Examination Committee ("AEC")**

AEC is a Board committee responsible for assisting the Board in ensuring AmBank Islamic's operations are Shariah compliant through the independent assurance from the Shariah Audit function performed by Group Internal Audit Department. The reports from the Shariah Review are also presented to the AEC for information.

**Risk Management Committee ("RMC")**

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

**Shariah Committee**

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing and validating products and services, Shariah policies and the relevant documentation in relation to AmBank Islamic's business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

**Shariah Oversight Committee**

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function via the Shariah Control Functions (i.e. Shariah Review, Shariah Risk Management, and Shariah Audit). The Shariah Oversight Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

**Senior Management**

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

**Shariah Management**

Shariah Management Department is accountable to the Shariah Committee and is responsible for providing operational support for effective functioning of the Shariah Committee including day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

## 13.0 Shariah Governance Structure (Cont'd.)

### Shariah Risk Management

Shariah Risk Management (“SRM”) section is accountable to the Group Risk Management Department with Shariah reporting to the Shariah Oversight Committee. SRM is a function that systematically identifies, measures, monitors and reports Shariah non-compliance risks in the business, operations, affairs and activities of AmBank Islamic.

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

### Shariah Review

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

### Shariah Audit

Shariah Audit Section is accountable to the AEC with Shariah reporting to Shariah Oversight Committee. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of AmBank Islamic. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

### Shariah Liaison Officer, IM

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

### Shariah Risk Management

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

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

### Shariah Review

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

### 13.1 Shariah Non-Compliant Incidents and Income

For the financial period as at 30 September 2020, there was one (1) Shariah non-compliant ("SNC") incident relating to the extension of Cash Line-i facilities without aqad. SNC income estimated at approximately RM700,000.00 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee. Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, this discovery was part of the Group's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities.

The Group has implemented measures such as improving controls and process, as well as conducting training on the improved process to heighten staff awareness in order to mitigate similar incidents from recurring in the future.

Given that this incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

For the financial year ended 31 March 2020, there were four (4) Shariah non-compliant ("SNC") incidents involving SNC income of approximately RM50,000.00.

### 13.2 Profit Sharing Investment Account ("PSIA")

**MTIA Performance**

As at 30 September 2020, balance of MTIA stood at RM421.9 million. The performance of MTIA is as described in the table below :

| As at 30 September 2020 | % |
|---|---|
| Return on Assets ("ROA") | 4.14 |
| Average Net Distributable Income Attributable to IAH* | 2.76 |
| Average Profit Sharing Ratio to IAH* | 66.80 |

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

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

* Investment Account Holder