Registration No. 199401009897 (295576–U)

AmBank Islamic Berhad
Pillar 3 Disclosure

30 September 2020

CAFIB - Pillar 3 Disclosure
For 30 September 2020

Contents **Page**

1.0 Scope of Application

The Capital Adequacy Framework for Islamic Banks (“CAFIB”) – Disclosure Requirements (Pillar 3) policy document 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 policy document is applicable to AmBank Islamic Berhad ("the Bank") and other banking institutions licensed under the Islamic Financial Services Act 2013 ("IFSA").

The information provided in this Pillar 3 Disclosure has been verified by the Group internal auditors and certified by the Chief Executive Officer.

Capital Adequacy

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

The capital adequacy ratios of the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020 and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019. The Bank has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

Pursuant to BNM's Capital Adequacy Framework for Islamic Banks (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 (“CET1”) Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. The Bank is also required to maintain the following capital buffers:

(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

These Pillar 3 disclosure of the Bank is available on the AmBank Group’s corporate website at www.ambankgroup.com.

2.0 Capital Management

The Bank’s capital management approach is focused on maintaining a strong capital position that supports the Bank's strategic objectives and risk appetite. In line with the Bank'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 Bank's strategic objectives and stakeholders' expectations.

The Bank 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 Bank’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 Bank and how these events could be mitigated. The Bank’s target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Bank’s assessment of risk appetite is closely integrated with Bank'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 Bank’s business activities.

2.0 Capital Management (Cont'd.)

The capital that the Bank 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 Bank 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 Bank'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 Bank'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 Bank are as follows:

	30 September 2020	31 March 2020
CET1 capital ratio	11.727%	11.165%
Tier 1 capital ratio	11.727%	11.165%
Total capital ratio	16.483%	15.950%

Investment Account ("IA")

2.1 Restricted Investment Account ("RA")

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

As at 30 September 2020, the gross exposure and expected credit losses relating to the RA financing were RM720.0 million and RM1.2 million respectively (31 March 2020: RM719.9 million and RM2.3 million respectively). There was no Stage 3 expected credit losses provided for the RA financing.

2.2 Mudarabah Term Investment Account ("MTIA")

MTIA-i is a type of an unrestricted investment account opened and maintained by the Investment Account Holder ("IAH") with the Bank. Monies placed in MTIA-i ("Investment Amount") is mandated by IAH to be utilized by the Bank, to fund its stable retail Shariah-compliant financing-i and investment assets of the Bank ("Investment Asset"). Distribution of returns of the investment is based on the pre-agreed Profit Sharing Ratio ("PSR"); the amount of which is dependent on the performance of the Investment Asset.

As at 30 September 2020, the outstanding MTIA stood at RM421.9 million (31 March 2020: RM192.6 million).

The underlying assets tagged to both RA and MTIA excluded from the risk weighted capital adequacy computation of the Bank for 30 September 2020 amounted to RM1,141.9 million (31 March 2020: RM912.6 million).

Table 2.2: Risk Weighted Assets and Capital Requirements

The breakdown of risk weighted assets (“RWA”) by exposures in major risk category of the Bank is as follows:

30 September 2020

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA*	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		2,780,685	2,780,685	-	-	-	-
Public Sector Entities ("PSE")		3,190	3,190	638	-	638	51
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,255,099	1,255,099	209,679	-	209,679	16,775
Corporates		20,615,338	20,221,114	15,888,190	719,974	15,168,216	1,213,457
Regulatory Retail		16,896,527	14,227,260	12,603,716	421,896	12,181,820	974,546
Residential Mortgages		320,281	320,270	122,870	-	122,870	9,830
Higher Risk Assets		1,016	1,016	1,523	-	1,523	122
Other Assets		184,717	184,717	88,217	-	88,217	7,057
Defaulted Exposures		518,664	517,906	616,019	-	616,019	49,281
Total for On-Balance Sheet Exposures		**42,575,517**	**39,511,257**	**29,530,852**	**1,141,870**	**28,388,982**	**2,271,119**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		249,438	249,438	121,126	-	121,126	9,690
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		4,169,538	2,503,596	1,826,175	-	1,826,175	146,094
Defaulted Exposures		1,788	1,276	1,913	-	1,913	153
Total for Off-Balance Sheet Exposures		**4,420,764**	**2,754,310**	**1,949,214**	**-**	**1,949,214**	**155,937**
Total On and Off-Balance Sheet Exposures		**46,996,281**	**42,265,567**	**31,480,066**	**1,141,870**	**30,338,196**	**2,427,056**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	6,946,767	4,424,988		163,693	-	163,693	13,095
- Specific rate of return risk	2,599,624	80,178		158	-	158	13
Foreign Currency Risk	90,696	13,441		90,696	-	90,696	7,256
Total	**9,637,087**	**4,518,607**		**254,547**	**-**	**254,547**	**20,364**
4. **Operational Risk**				1,562,874	-	1,562,874	125,030
5. **Total RWA and Capital Requirements**				33,297,487	1,141,870	32,155,617	2,572,450

* Profit Sharing Investment Account ("PSIA").

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

The breakdown of risk weighted assets ("RWA") by exposures in major risk category of the Bank are as follows (Cont'd.):

31 March 2020

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		7,147,378	7,147,378	-	-	-	-
Public Sector Entities		3,439	3,439	688	-	688	55
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,130,354	1,130,354	208,101	-	208,101	16,649
Corporates		20,757,165	20,276,254	16,263,269	719,943	15,543,326	1,243,466
Regulatory Retail		15,107,197	13,170,184	11,626,832	192,639	11,434,193	914,735
Residential Mortgages		303,602	303,591	116,244	-	116,244	9,300
Higher Risk Assets		1,005	1,005	1,508	-	1,508	121
Other Assets		89,273	89,273	89,273	-	89,273	7,142
Defaulted Exposures		537,981	537,205	633,851	-	633,851	50,707
Total for On-Balance Sheet Exposures		**45,077,394**	**42,658,683**	**28,939,766**	**912,582**	**28,027,184**	**2,242,175**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		283,814	283,814	215,896	-	215,896	17,272
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		3,794,670	2,440,693	1,802,406	-	1,802,406	144,192
Defaulted Exposures		2,251	1,659	2,488	-	2,488	199
Total for Off-Balance Sheet Exposures		**4,080,735**	**2,726,166**	**2,020,790**	**-**	**2,020,790**	**161,663**
Total On and Off-Balance Sheet Exposures		**49,158,129**	**45,384,849**	**30,960,556**	**912,582**	**30,047,974**	**2,403,838**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	6,538,208	4,957,261		171,327	-	171,327	13,706
- Specific rate of return risk	1,911,101	332,574		3,142	-	3,142	251
Foreign Currency Risk	120,181	77,888		120,181	-	120,181	9,614
Total	**8,569,490**	**5,367,723**		**294,650**	**-**	**294,650**	**23,571**
4. **Operational Risk**				1,539,751	-	1,539,751	123,180
5. **Total RWA and Capital Requirements**				**32,794,957**	**912,582**	**31,882,375**	**2,550,589**

3.0 Capital Structure

The capital structure of the Bank includes capital under the following headings:

- Common Equity Tier 1 Capital;
- 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 Bank 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) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 10.9 of 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 by virtue of the regulatory reserve being attributable to financing and advances.

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.

3.2 Additional Tier 1 Capital

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

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 Sukuk Murabahah

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

The Programme has a tenure of thirty (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

3.3 Tier 2 Capital (Cont'd.)

Table 3.2: Capital Structure

The components of CET1, Tier 2 and Total Capital of the Bank are as follows:

	30 September 2020 RM'000	31 March 2020 RM'000
CET1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	2,331,241	2,148,410
Fair value reserve	120,601	56,249
Regulatory reserve	-	71,612
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(851)	(1,034)
- Deferred tax assets	(740)	-
- 55% of cumulative gains of FVOCI financial instruments	(66,330)	(30,937)
- Regulatory reserve	-	(71,612)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(166)	(148)
CET1 Capital/ Tier 1 Capital	3,770,862	3,559,647
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,150,000	1,150,000
General provision*	379,227	375,600
Tier 2 Capital	1,529,227	1,525,600
Total Capital	5,300,089	5,085,247

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

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

	30 September 2020 RM'000	31 March 2020 RM'000
Credit RWA	31,480,066	30,960,556
Less : Credit RWA absorbed by PSIA	(1,141,870)	(912,582)
Total Credit RWA	30,338,196	30,047,974
Market RWA	254,547	294,650
Operational RWA	1,562,874	1,539,751
Total Risk Weighted Assets	32,155,617	31,882,375

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 AMMB Holdings Berhad ("AMMB") to set its risk/reward profile.

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the AMMB 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 AMMB Group operates in.

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

The AMMB Group Risk Direction

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

- The AMMB Group aspires to maintain its current financial institution rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").

- The AMMB Group aims to maintain a minimum ROCE of 12% and an RWA efficiency (CRWA/EAD) in the range of 40% to 50%, both based on Foundation Internal Rating Based ("FIRB").

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

- The AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
  - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
  - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
  - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective from July 2020).

- The AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.

4.0 General Risk Management (Cont'd.)

The AMMB Group Risk Direction (Cont'd.)

- The AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks):
  - Keep operational losses and regulatory penalties below 2% of Profit after Zakat and Taxation ("PAZT").
  - Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

The AMMB Board is ultimately accountable for the management of risks within the AMMB Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk, liquidity risk, credit risk, operational risk, IT and Cyber Risk.

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

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

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

4.0 General Risk Management (Cont'd.)

Impact of COVID-19 pandemic

Risk management is an integral part of the AMMB Group's culture and is embedded within its business, operations and decision making processes. AMMB 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
- ensuring key services to customers remain available throughout the period while taking precautions to ensure compliance with the MCO requirements

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

The Bank has been engaging our SME customers through multiple channels and have been encouraging them reach out to the Bank 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 Bank 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 pandemic 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 Bank.

5.0 Credit Risk Management

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assessment criteria and acceptance criteria (program lending)
Monitoring/ Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Account • 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 financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank'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 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 Bank's 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 Bank's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

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

5.0 Credit Risk Management (Cont'd.)

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;
- financing loss provision calculation;
- stress testing; and
- enhancement to portfolio management.

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 Bank'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 Financing to Value limits for asset backed financing;
- Non-Retail Credit Policy ("NRCP"), which sets out the credit principles and requirements 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 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 financing 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).

5.0 Credit Risk Management (Cont'd.)

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 AMMB 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 Bank’s 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 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 AMMB Group’s Classified Account Management Policy ("CAM") 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 AMMB Group considers that an obligor is unlikely to repay in full its credit obligations to the Bank;
b. The obligor has breached its contractual payment obligations and past due for more than 90 days; and
c. Other indicators stipulated in the CAM 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 R&R provided by BNM Credit Risk Policy.

5.1.1 AMMB Group Provisioning Methodology

The AMMB Group’s provisioning methodology complies with MFRS 9 where we recognise Expected Credit Loss ("ECL") at all time 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 expected credit losses.

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.

5.1 Impairment (Cont'd.)

5.1.1 AMMB Group Provisioning Methodology (Cont'd.)

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

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

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

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):

Change 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 Bank 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 Hotel 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 Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	2,780,685	-	-	-	-	-	2,780,685
Public Sector Entities	-	-	-	-	-	-	-	-	3,190	-		-	-	-	3,190
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,255,099	-	-	-	-	-	-	1,255,099
Corporates	1,136,408	1,073,383	3,939,446	436,025	2,467,503	1,618,457	2,532,430	2,705,145	-	2,513,982	1,236,006	910,759	45,781	13	20,615,338
Regulatory Retail	6,599	1,326	77,583	4,246	36,033	116,880	38,035	438	-	3,831	32,014	9,121	16,570,284	137	16,896,527
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	320,281	-	320,281
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,016	-	1,016
Other Assets	-	-	-	-	-	-	-	-	96,500	-	-	-	-	88,217	184,717
Defaulted Exposures	45,949	1,751	38,684	-	101,353	34,074	44,922	-	-	238,852	5,042	1,483	6,554	-	518,664
Total for On Balance Sheet Exposures	1,188,956	1,076,460	4,055,713	440,271	2,604,889	1,769,411	2,615,387	3,960,682	2,880,375	2,756,665	1,273,062	921,363	16,943,916	88,367	42,575,517
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	79,182	-	-	508	-	169,748	-	-	-	-	-	-	249,438
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	174,182	38,138	821,820	43,874	1,441,919	447,536	233,810	76,868	-	197,374	92,685	81,546	519,784	2	4,169,538
Defaulted Exposures	-	32	17	-	-	4	-	-	-	501	-	-	1,234	-	1,788
Total for Off-Balance Sheet Exposures	174,182	38,170	901,019	43,874	1,441,919	448,048	233,810	246,616	-	197,875	92,685	81,546	521,018	2	4,420,764
Total On and Off-Balance Sheet Exposures	**1,363,138**	**1,114,630**	**4,956,732**	**484,145**	**4,046,808**	**2,217,459**	**2,849,197**	**4,207,298**	**2,880,375**	**2,954,540**	**1,365,747**	**1,002,909**	**17,464,934**	**88,369**	**46,996,281**

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

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

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 Hotel 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 Activity RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	7,147,378	-	-	-	-	-	7,147,378
Public Sector Entities	-	-	-	-	-	-	-	-	3,439	-	-	-	-	-	3,439
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,130,354	-	-	-	-	-	-	1,130,354
Corporates[Note 1]	1,344,411	1,094,724	3,833,901	480,364	2,493,980	1,629,166	2,498,657	2,255,060	-	2,675,642	1,446,828	939,865	64,548	19	20,757,165
Regulatory Retail	5,803	541	59,440	3,215	31,493	116,038	36,686	237	-	3,798	27,237	8,282	14,814,296	131	15,107,197
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	303,602	-	303,602
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,005	-	1,005
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	89,273	89,273
Defaulted Exposures[Note 1]	48,154	1,773	20,389	-	21,500	34,124	46,034	-	-	238,756	5,152	1,450	120,649	-	537,981
Total for On-Balance Sheet Exposures	1,398,368	1,097,038	3,913,730	483,579	2,546,973	1,779,328	2,581,377	3,385,651	7,150,817	2,918,196	1,479,217	949,597	15,304,100	89,423	45,077,394
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	118,742	-	35	764	-	164,273	-	-	-	-	-	-	283,814
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives[Note 1]	123,377	31,377	736,844	41,442	1,392,971	327,771	289,378	82,656	-	135,241	99,615	60,870	472,856	272	3,794,670
Defaulted Exposures	-	114	17	-	-	3	-	-	-	501	-	-	1,616	-	2,251
Total for Off-Balance Sheet Exposures	123,377	31,491	855,603	41,442	1,393,006	328,538	289,378	246,929	-	135,742	99,615	60,870	474,472	272	4,080,735
Total On and Off-Balance Sheet Exposures	**1,521,745**	**1,128,529**	**4,769,333**	**525,021**	**3,939,979**	**2,107,866**	**2,870,755**	**3,632,580**	**7,150,817**	**3,053,938**	**1,578,832**	**1,010,467**	**15,778,572**	**89,695**	**49,158,129**

Note 1:
The Bank continuously strengthen its regulatory reporting framework. The Bank 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 Bank 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 Bank makes disclosures pertaining to financing and advances 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 exposure.

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

The amounts of impaired and past due financing, individual and collective allowances, charges for individual impairment allowances and write offs during the period/year of the Bank by sector are 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 Hotel 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 financing	46,895	2,430	54,269	-	4,107	55,058	48,267	-	243,248	10,798	1,483	114,168	**580,723**
Past due financing	1,943	283	31,357	992	13,169	30,598	22,197	160	294,751	18,971	2,634	1,374,632	**1,791,687**
Allowances for expected credit loss	7,275	3,008	51,060	3,745	5,501	12,781	7,076	2,808	30,226	8,229	691	399,475	**531,875**
Charges/(Writeback) for individual allowance	(1)	123	6,772	-	18	727	(19)	-	8,973	(392)	-	-	**16,201**
Write-offs against individual allowances	-	41	-	-	-	424	-	-	8,805	-	-	-	**9,270**

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 Hotel 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 financing	47,758	2,371	29,403	-	3,259	55,245	49,179	-	243,083	11,198	1,453	172,401	**615,350**
Past due financing	2,799	271	144,794	1,254	81,403	163,015	80,550	156	327,893	36,450	4,205	3,188,424	**4,031,214**
Allowances for expected credit loss	8,066	7,468	26,592	3,572	9,293	14,156	7,999	1,943	29,922	11,854	1,245	244,368	**366,478**
Charges/(Writeback) for individual allowance	945	52	35,254	-	2,817	9,739	464	-	39,543	5,748	-	-	**94,562**
Write-offs against individual allowances	-	101	32,491	-	2,630	7,037	3,287	-	65,226	-	-	-	**110,772**

* Refer Note in Table 5.1

Table 5.3: Geographical distribution of credit exposures

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

30 September 2020	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	2,780,685	-	2,780,685
Public Sector Entities	3,190	-	3,190
Banks, DFIs and MDBs	1,110,624	144,475	1,255,099
Corporates	20,615,338	-	20,615,338
Regulatory Retail	16,896,527	-	16,896,527
Residential Mortgages	320,281	-	320,281
Higher Risk Assets	1,016	-	1,016
Other Assets	184,717	-	184,717
Defaulted Exposures	518,664	-	518,664
Total for On Balance Sheet Exposures	42,431,042	144,475	42,575,517
Off-Balance Sheet Exposures			
OTC Derivatives	249,438	-	249,438
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,169,538	-	4,169,538
Defaulted Exposures	1,788	-	1,788
Total for Off-Balance Sheet Exposures	4,420,764	-	4,420,764
Total On and Off-Balance Sheet Exposures	**46,851,806**	**144,475**	**46,996,281**

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

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

31 March 2020	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	7,147,378	-	7,147,378
Public Sector Entities	3,439	-	3,439
Banks, DFIs and MDBs	982,267	148,087	1,130,354
Corporates	20,757,165	-	20,757,165
Regulatory Retail	15,107,197	-	15,107,197
Residential Mortgages	303,602	-	303,602
Higher Risk Assets	1,005	-	1,005
Other Assets	89,273	-	89,273
Defaulted Exposures	537,981	-	537,981
Total for On-Balance Sheet Exposures	44,929,307	148,087	45,077,394
Off-Balance Sheet Exposures			
OTC Derivatives	283,814	-	283,814
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,794,670	-	3,794,670
Defaulted Exposures	2,251	-	2,251
Total for Off-Balance Sheet Exposures	4,080,735	-	4,080,735
Total On and Off-Balance Sheet Exposures	**49,010,042**	**148,087**	**49,158,129**

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

The amounts of all impaired and past due financing which reside in Malaysia and impairment allowances of the Bank are as follows:

30 September 2020	**Total** **RM'000**
Impaired financing	580,723
Past due financing	1,791,687
Allowances for expected credit loss	531,875

31 March 2020	**Total** **RM'000**
Impaired financing	615,350
Past due financing	4,031,214
Allowances for expected credit loss	366,478

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 Bank 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	1,138,561	-	4,175	-	155,309	725,099	757,541	-	2,780,685
Public Sector Entities	-	-	-	-	-	369	2,821	-	3,190
Banks, DFIs and MDBs	644,245	99,819	248,668	10,246	55,150	148,338	48,633	-	1,255,099
Corporates	5,922,000	1,878,218	1,110,065	2,353,444	1,234,894	2,418,800	5,697,917	-	20,615,338
Regulatory Retail	6,679	6,052	44,323	550,647	916,440	1,483,884	13,888,502	-	16,896,527
Residential Mortgages	121	7	83	609	6,885	17,153	295,423	-	320,281
Higher Risk Assets	-	-	-	-	-	-	1,016	-	1,016
Other Assets	-	-	-	96,500	-	-	-	88,217	184,717
Defaulted Exposures	296,062	94	1,182	28,009	113,198	27,091	53,028	-	518,664
Total for On-Balance Sheet Exposures	8,007,668	1,984,190	1,408,496	3,039,455	2,481,876	4,820,734	20,744,881	88,217	42,575,517
Off-Balance Sheet Exposures									
OTC Derivatives	554	914	11,180	76,399	-	160,391	-	-	249,438
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	349,210	352,124	1,004,779	2,238,292	38	658	224,437	-	4,169,538
Defaulted Exposures	191	-	32	523	-	203	839	-	1,788
Total for Off-Balance Sheet Exposures	349,955	353,038	1,015,991	2,315,214	38	161,252	225,276	-	4,420,764
Total On and Off-Balance Sheet Exposures	**8,357,623**	**2,337,228**	**2,424,487**	**5,354,669**	**2,481,914**	**4,981,986**	**20,970,157**	**88,217**	**46,996,281**

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 Bank 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	5,573,063	101,481	-	4,184	153,680	303,541	1,011,429	-	7,147,378
Public Sector Entities	-	-	-	-	-	-	3,439	-	3,439
Banks, DFIs and MDBs	874,549	-	-	-	65,350	144,045	46,410	-	1,130,354
Corporates	6,116,792	1,657,399	725,232	2,646,009	1,801,299	2,375,016	5,435,418	-	20,757,165
Regulatory Retail	7,492	10,925	28,601	659,418	1,024,947	1,490,736	11,885,078	-	15,107,197
Residential Mortgages	124	11	123	428	6,679	18,787	277,450	-	303,602
Higher Risk Assets	-	-	-	-	-	-	1,005	-	1,005
Other Assets	-	-	-	-	-	-	-	89,273	89,273
Defaulted Exposures	304,067	801	4,667	34,411	17,002	19,376	157,657	-	537,981
Total for On-Balance Sheet Exposures	12,876,087	1,770,617	758,623	3,344,450	3,068,957	4,351,501	18,817,886	89,273	45,077,394
Off-Balance Sheet Exposures									
OTC Derivatives	1,427	3,724	32,694	110,132	-	135,837	-	-	283,814
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	365,739	134,424	437,699	2,328,200	91	746	527,771	-	3,794,670
Defaulted Exposures	222	1	-	648	38	203	1,139	-	2,251
Total for Off-Balance Sheet Exposures	367,388	138,149	470,393	2,438,980	129	136,786	528,910	-	4,080,735
Total On and Off-Balance Sheet Exposures	**13,243,475**	**1,908,766**	**1,229,016**	**5,783,430**	**3,069,086**	**4,488,287**	**19,346,796**	**89,273**	**49,158,129**

* Refer Note in Table 5.1

Table 5.6: Reconciliation of changes to financing impairment allowances

The disclosure on reconciliation of financing loss allowances can be found in Note A12j 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:

30 September 2020	**(Charge off)/recoveries RM'000**
Bad debts written off during the period	(8,450)
Bad debt recoveries during the period	62,660

31 March 2020	**(Charge off)/recoveries RM'000**
Bad debts written off during the year	(17,106)
Bad debt recoveries during the year	97,176

6.0 Credit Risk Exposure under the Standardised Approach

The AMMB 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 Bank is as follows:

30 September 2020

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,780,685	-	206,705	-	3,551,964	63	-	-	96,500	6,635,917	-
20%	-	3,190	1,214,286	-	1,683,786	121,949	-	-	-	3,023,211	604,642
35%	-	-	-	-	-	-	252,875	-	-	252,875	88,506
50%	-	-	-	-	37,488	4,408	78,067	-	-	119,963	59,982
75%	-	-	-	-	-	6,545,590	-	-	-	6,545,590	4,909,192
100%	-	-	-	800	17,232,831	8,103,259	3,438	-	88,217	25,428,545	25,428,545
150%	-	-	-	-	240,500	17,336	-	1,630	-	259,466	389,199
Total	2,780,685	3,190	1,420,991	800	22,746,569	14,792,605	334,380	1,630	184,717	42,265,567	31,480,066

Table 6.1: Credit exposures by risk weights under the Standardised Approach (Cont'd.)

The breakdown of credit risk exposures by risk weights of the Bank is as follows: (Cont'd.)

31 March 2020

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	7,147,378	-	200,363	-	3,145,139	63	-	-	-	10,492,943	-
20%	-	3,439	862,816	-	1,750,420	96,042	-	-	-	2,712,717	542,543
35%	-	-	-	-	-	-	239,625	-	-	239,625	83,869
50%	-	-	209,512	-	43,552	8,291	72,723	-	-	334,078	167,039
75%	-	-	-	-	-	6,279,843	-	-	-	6,279,843	4,709,882
100%	-	-	-	-	17,653,768	7,315,451	3,993	-	89,273	25,062,485	25,062,485
150%	-	-	-	-	233,944	27,475	-	1,739	-	263,158	394,738
Total	7,147,378	3,439	1,272,691	-	22,826,823	13,727,165	316,341	1,739	89,273	45,384,849	30,960,556

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**	**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**
	Total			
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	3,190	-	-	3,190
Insurance Companies, Securities Firms and Fund managers	800	-	-	800
Corporates	24,698,009	1,298,702	9,916	23,389,391
Total	**24,701,999**	**1,298,702**	**9,916**	**23,393,381**

31 March 2020

		Ratings of Corporate 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**
	Total			
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	3,439	-	-	3,439
Corporates	24,588,550	1,338,175	637,640	22,612,735
Total	**24,591,989**	**1,338,175**	**637,640**	**22,616,174**

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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Total					
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	2,780,685	-	2,780,685	-	-	-
Total	**2,780,685**	**-**	**2,780,685**	**-**	**-**	**-**

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	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Total					
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	7,147,378	-	7,147,378	-	-	-
Total	**7,147,378**	**-**	**7,147,378**	**-**	**-**	**-**

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

30 September 2020

		Ratings of Banking Institutions by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Total				
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,420,991	869,865	133	-	550,993
Total	**1,420,991**	**869,865**	**133**	**-**	**550,993**

31 March 2020

		Ratings of Banking Institutions by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Total				
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,272,691	412,315	138	283,290	576,948
Total	**1,272,691**	**412,315**	**138**	**283,290**	**576,948**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures 30 September 2020	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	2,780,685	-	-
Public Sector Entities	3,190	-	-
Banks, DFIs and MDBs	1,255,099	-	-
Corporates	20,615,338	998,994	1,277,729
Regulatory Retail	16,896,527	119,044	3,416,253
Residential Mortgages	320,281	-	44
Higher Risk Assets	1,016	-	-
Other Assets	184,717	-	-
Defaulted Exposures	518,664	6,532	88,010
Total On-Balance Sheet Exposures	42,575,517	1,124,570	4,782,036
Off-Balance Sheet Exposures			
OTC Derivatives	249,438	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,169,538	540,388	1,847,376
Defaulted Exposures	1,788	-	613
Total Off-Balance Sheet Exposures	4,420,764	540,388	1,847,989
Total On and Off-Balance Sheet Exposures	**46,996,281**	**1,664,958**	**6,630,025**

Exposures 31 March 2020	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	7,147,378	-	-
Public Sector Entities	3,439	-	-
Banks, DFIs and MDBs	1,130,354	-	-
Corporates	20,757,165	714,090	1,247,449
Regulatory Retail	15,107,197	93,326	2,442,168
Residential Mortgages	303,602	-	50
Higher Risk Assets	1,005	-	-
Other Assets	89,273	-	-
Defaulted Exposures	537,981	6,659	88,060
Total for On-Balance Sheet Exposures	45,077,394	814,075	3,777,727
Off-Balance Sheet Exposures			
OTC Derivatives	283,814	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,794,670	500,150	1,574,889
Defaulted Exposures	2,251	-	694
Total for Off-Balance Sheet Exposures	4,080,735	500,150	1,575,583
Total On and Off-Balance Sheet Exposures	**49,158,129**	**1,314,225**	**5,353,310**

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 Bank are as follows:

30 September 2020

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	586,761		586,754	413,495
Transaction related contingent items	821,830		410,915	313,487
Short term self liquidating trade related	44,766		8,953	7,911
Forward asset purchases	22,090		1,302	900
Foreign exchange related contracts	1,507,989	1,757	79,696	79,696
One year or less	455,147	991	12,286	12,286
Over one year to five years	1,052,842	766	67,410	67,410
Other commodity contracts	70,536	6,293	10,556	2,111
Over one year to five years	70,536	6,293	10,556	2,111
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,214,265	46,049	159,186	39,319
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	497,376		934,258	377,833
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,675,628		1,952,704	507,566
Unutilised credit card lines	1,382,198		276,440	206,896
Total	13,823,439	54,099	4,420,764	1,949,214

31 March 2020

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	570,619		570,613	391,300
Transaction related contingent items	751,997		375,999	285,638
Short term self liquidating trade related contingencies	80,958		16,192	15,195
Forward asset purchases	159,934		13,400	12,200
Foreign exchange related contracts	1,692,015	25,524	119,603	119,603
One year or less	419,022	8,540	15,278	15,278
Over one year to five years	1,272,993	16,984	104,325	104,325
Profit rate related contracts	73,217	7,807	12,204	6,102
Over one year to five years	73,217	7,807	12,204	6,102
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,404,138	26,322	152,007	90,191
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	408,285		1,059,431	500,582
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,991,693		1,490,299	397,158
Unutilised credit card lines	1,354,936		270,987	202,821
Total	13,487,792	59,653	4,080,735	2,020,790

9.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2020 and financial year ended 31 March 2020.

10.0 Non-Traded Market Risk ("NTMR")

Rate of Return Risk ("RORBB") in Banking Book

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

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation and equity to a reasonable possible change in rate of return with all other variables remaining constant.

30 September 2020	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	22,016	(22,016)
Impact on equity	(237,469)	262,334

31 March 2020	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	25,413	(25,413)
Impact on equity	(235,503)	260,861

11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2020 and 31 March 2020.

12.0 Liquidity Risk and Funding Management

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

9.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2020 and financial year ended 31 March 2020.

10.0 Non-Traded Market Risk ("NTMR")

Rate of Return Risk ("RORBB") in Banking Book

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

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation and equity to a reasonable possible change in rate of return with all other variables remaining constant.

30 September 2020	**Rate of Return + 100 bps RM'000**	**Rate of Return - 100 bps RM'000**
Impact on profit before zakat and taxation	22,016	(22,016)
Impact on equity	(237,469)	262,334

31 March 2020	**Rate of Return + 100 bps RM'000**	**Rate of Return - 100 bps RM'000**
Impact on profit before zakat and taxation	25,413	(25,413)
Impact on equity	(235,503)	260,861

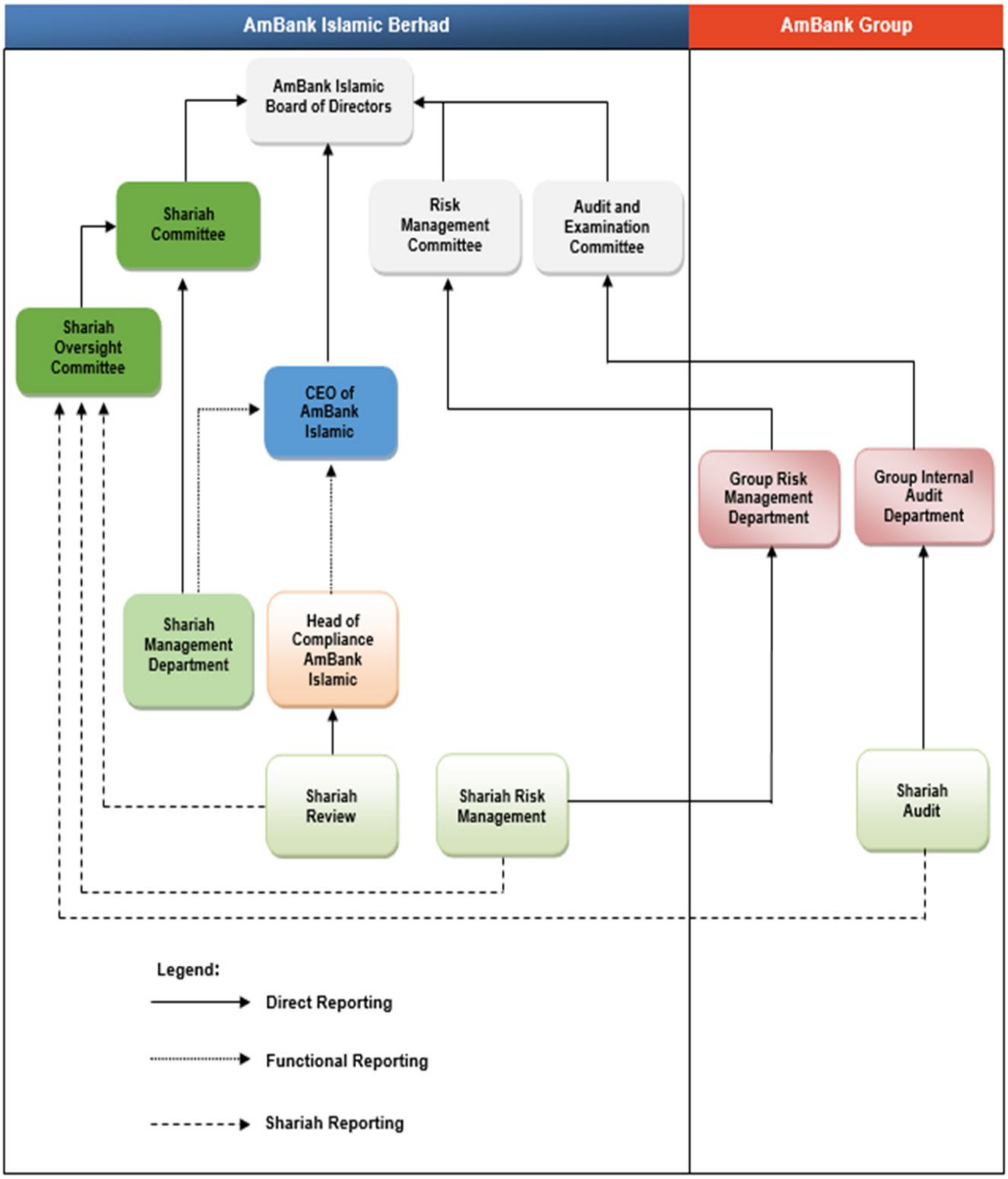
11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2020 and 31 March 2020.

12.0 Liquidity Risk and Funding Management

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

13.0 Shariah Governance Structure



The Bank 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 the Bank comply with Shariah principles and its requirements.

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

13.0 Shariah Governance Structure (Cont'd.)

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 the Bank'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 the Bank'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 the Bank 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.

13.0 Shariah Governance Structure (Cont'd.)

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.

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 the Bank.

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 the Bank'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 the Bank 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 the Bank. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

14.0 Shariah Non-Compliant 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 Bank's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities.

The Bank 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.

15.0 Investment Account ("IA")

The Bank offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RA") (refer Section 2.1) which refers to an IA where the Investment Account Holder ("IAH") provides a specific investment to the Bank and Unrestricted Investment Account ("UA") which refers to an IA where the customer provides the Bank with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RA and UA are based on the Shariah concept of Mudarabah Muqayyadah ("Mudarabah").

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

15.0 Investment Account (“IA”) (Cont'd.)

Mudarabah Term Investment Account ("MTIA")

The Bank has widened the scope of business beyond credit intermediation by acting as an investment intermediation role via the introduction of UA product.

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

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

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 the IAH	2.76
Average Profit Sharing Ratio to the IAH	66.80

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