AmInvestment Bank Berhad

Pillar 3 Disclosure

30 September 2020

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Contents

1.0 Scope of Application

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

The following information in this Pillar 3 Disclosure of the Bank and its subsidiaries ("the Group") has been verified by the Group internal auditors and certified by the Chief Executive Officer.

Capital Adequacy

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

The capital adequacy ratios of the Group and the Bank are computed in accordance to BNM's Policy Document on Capital Adequacy Framework (Capital Components) issued on 5 February 2020 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 3 May 2019. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. 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%; and
(b) a Countercyclical Capital Buffer (CCyB) determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking institution 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.
(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

Frequency of Disclosure

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

Medium and Location of Disclosure

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

1.1 Basis of Consolidation

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

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

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

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

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

2.0 Capital Management

The Group's capital management approach is focused on maintaining an appropriate 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 actual and forecasted statement of financial position, commitments & contingencies, counterparty and other risk exposures after applying collateral. 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 balance sheet, capital and liquidity positions.

2.0 Capital Management (Contd.)

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.

Table 2.1: Capital Adequacy Ratios

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

	30.09.2020		31.03.2020	
	Group	Bank	Group	Bank
Before deducting proposed dividends:				
CET 1 Capital Ratio	47.186%	49.474%	41.567%	40.638%
Tier 1 Capital Ratio	47.186%	49.474%	41.567%	40.638%
Total Capital Ratio	47.187%	49.474%	41.942%	41.076%
After deducting proposed dividends:				
CET 1 Capital Ratio	44.525%	46.268%	38.595%	37.161%
Tier 1 Capital Ratio	44.525%	46.268%	38.595%	37.161%
Total Capital Ratio	44.525%	46.268%	38.970%	37.600%

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

	30.09.2020 Islamic Window	31.03.2020 Islamic Window
CET 1 Capital Ratio	81.220%	110.142%
Tier 1 Capital Ratio	81.220%	110.142%
Total Capital Ratio	81.220%	110.142%

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

					30.09.2020		
	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**	**Minimum capital requirement at 8% RM'000**
1.	**Credit risk**					
	On balance sheet exposures					
	Sovereigns/ Central banks		34,707	34,707	-	-
	Banks, development financial institutions ("DFIs") and multilateral development banks		292,361	292,361	58,472	4,678
	Corporates		395,616	236,946	161,500	12,920
	Regulatory retail		45,896	4,035	3,350	267
	Higher risk assets		2,995	2,995	4,493	359
	Other assets		399,407	399,407	360,657	28,853
	Total for on balance sheet exposures		1,170,982	970,451	588,472	47,077
	Off balance sheet exposures:					
	Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		45,890	14,530	14,283	1,143
	Total for off balance sheet exposures		45,890	14,530	14,283	1,143
	Total on and off balance sheet exposures		1,216,872	984,981	602,755	48,220
2.	**Large exposures risk requirement**		-	-	-	-
		Long Position	**Short Position**			
3.	**Market risk**					
	Interest rate risk					
	- General interest rate risk	1,187	1,189		-	-
	Foreign currency risk	37,995	-		37,995	3,040
	Equity risk					
	- General risk	-	-		-	-
	- Specific risk	-	-		-	-
	Option risk	8,615	-		11,846	947
	Total	47,797	1,189		49,841	3,987
4.	**Operational risk**				474,455	37,956
5.	**Total RWA and capital requirements**				1,127,051	90,163

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

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

		31.03.2020			
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**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ Central banks		63,479	63,479	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		285,535	285,535	57,107	4,569
Corporates		358,926	219,177	143,740	11,499
Regulatory retail		27,307	2,534	1,900	152
Higher risk assets		2,771	2,771	4,157	333
Other assets		610,111	610,111	578,438	46,275
Total for on balance sheet exposures		1,348,129	1,183,607	785,342	62,827
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		38,201	17,136	16,790	1343
Total for off balance sheet exposures		38,201	17,136	16,790	1,343
Total on and off balance sheet exposures		1,386,330	1,200,743	802,132	64,171
2. **Large exposures risk requirement**		-	-	-	-
	Long Position	**Short Position**			
3. **Market risk**					
Interest rate risk /Rate of return risk					
- General interest rate risk/Rate of return risk	487	491		-	-
Foreign currency risk	37,271	20		37,271	2,982
Equity risk					
- General risk	48	67		19	2
- Specific risk	48	67		64	5
Total	37,854	645		37,354	2,988
4. **Operational risk**				472,622	37,810
5. **Total RWA and capital requirements**				1,312,108	104,969

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

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

	30.09.2020				
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**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ Central banks		71	71	-	-
Banks, DFIs and MDBs		35,646	35,646	7,129	570
Other assets		93,662	93,662	93,662	7,493
Total for on balance sheet exposures		129,379	129,379	100,791	8,063
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or credit derivatives		-	-	-	-
Total for off balance sheet exposures		-	-	-	-
Total on and off balance sheet exposures		129,379	129,379	100,791	8,063
2. **Large exposures risk requirement**		-	-	-	-
	Long Position	**Short Position**			
3. **Market risk**	**-**	**-**			
4. **Operational risk**				40,646	3,252
5. **Total RWA and capital requirements**				141,437	11,315

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

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

		31.03.2020				
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**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ Central banks		51	51	-	-
Banks, DFIs and MDBs		91,821	91,821	18,364	1,469
Other assets		32,622	32,622	32,622	2,610
Total for on balance sheet exposures		124,494	124,494	50,987	4,079
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		-	-	-	-
Total for off balance sheet exposures		-	-	-	-
Total on and off balance sheet exposures		124,494	124,494	50,987	4,079
2. **Large exposures risk requirement**		-	-	-	-
	Long Position	**Short Position**			
3. **Market risk**	**-**	**-**			
4. **Operational risk**				49,750	3,980
5. **Total RWA and capital requirements**				100,737	8,059

The Islamic window of the Group did not have Restricted Investment Account ("RIA") that qualifies as a risk absorbent as at 30 September 2020 and 31 March 2020.

3.0 Capital Structure

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

- Common Equity Tier 1 (“CET1”) Capital;
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

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

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

(c) Other Disclosed Reserves
Other disclosed reserves comprise the following:

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

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

(iii) Fair value Reserve
The Fair value reserve comprises fair value gains/ (net of fair value losses) on financial investments measured at 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.

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 capital are Stage 1 and Stage 2 loss allowances and regulatory reserves (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach). The Bank does not have any Tier 2 capital instruments in issuance.

Table 3.1: Capital Structure

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

	Group		Bank	
	30.09.2020 RM'000	**31.03.2020 RM'000**	**30.09.2020 RM'000**	**31.03.2020 RM'000**
CET1 Capital				
Ordinary shares	200,000	200,000	200,000	200,000
Retained earnings	291,089	305,635	319,949	313,545
Unrealised gains on financial investments at FVOCI	1,539	999	1,539	999
Foreign exchange translation reserve	2,533	2,497	-	-
Regulatory reserve	-	4,912	-	4,912
Capital reserve	2,815	2,815	-	-
Merger reserve	82,115	82,115	-	-
Less : Regulatory adjustments applied on CET1 capital				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(2,049)	(1,529)	(1,606)	(1,116)
Deferred tax assets	(8,940)	(10,133)	(6,228)	(7,179)
55% of cumulative gains of FVOCI financial instruments	(846)	(550)	(846)	(550)
Regulatory reserve	-	(4,912)	-	(4,912)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
CET1 Capital/ Tier 1 Capital	**531,814**	**545,407**	**462,999**	**455,890**
Tier 2 Capital				
General provisions*	4	4,916	4	4,916
Tier 2 Capital	**4**	**4,916**	**4**	**4,916**
Total Capital	**531,818**	**550,323**	**463,003**	**460,806**

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

Table 3.1: Capital Structure (Contd.)

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

	Group		Bank	
	30.09.2020	**31.03.2020**	**30.09.2020**	**31.03.2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk	602,755	802,132	640,843	841,125
Market risk	49,841	37,354	29,832	17,004
Operational risk	474,455	472,622	265,174	263,707
Total risk weighted assets	1,127,051	1,312,108	935,849	1,121,836

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

	30.09.2020	**31.03.2020**
	RM'000	**RM'000**
CET1 Capital		
Capital Funds	30,000	30,000
Retained earnings	85,118	81,253
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(243)	(299)
CET1 capital/ Tier 1 capital/ Total capital	**114,875**	**110,954**

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

	30.09.2020	**31.03.2020**
	RM'000	**RM'000**
Credit risk	100,791	50,987
Operational risk	40,646	49,750
Total risk weighted assets	141,437	100,737

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 risk weighted assets ("RWA") 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 challenge to the environment that the Group operates in.

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

AMMB Holdings Berhad ("AMMB") Group Risk Direction

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

1 AMMB Group aspires to 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 ROCE of 12% and an RWA efficiency (Credit RWA ("CRWA")/Exposure At Default ("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 at consolidated and entity level) at least 10 percentage point above prevailing regulatory minimum;
   b. Stressed LCR (both at consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company (FHC) level) above the prevailing regulatory minimum (effective from July 2020).
5 AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal condition.
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, IT and Cyber risk.

The Board has also established Management Committees to assist in managing the risks and businesses of the Group. The 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 risk.

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

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

Impact of COVID-19 outbreak

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 month-long 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

*PATMI - Profit after Tax and Non-controlling Interests

4.0 General Risk Management (Cont'd.)

Impact of COVID 19 outbreak (Cont'd.)

AMMB Group welcomes the stimulus plans 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.

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 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 • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance Structure).

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

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

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

5.0 Credit Risk Management (Cont'd.)

Lending activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and 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 exposure.
- Setting Loan to Value limits for asset backed loans;
  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 loan and advances.

Exposure outside the approval discretions of individual Credit Approval Delegations (CAD) holders certain are escalated to the Credit and Commitments Committee ("CACC") for approval. In the event such counterparty 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 GMRC regularly meets to review the quality and diversification of the Group's loans portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk 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 delinquency buckets and exposures by industry sectors are reported monthly to executive management and to all meetings of the Board.

5.0 Credit Risk Management (Cont'd.)

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 policies/ 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 Bank.

(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 are hit.

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.

5.1.1 Group Provisioning Methodology

The Group’s provisioning methodology complies with MFRS 9 where we recognize Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The 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 provisioning 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. We calculate 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 in credit risk since initial recognition.

ii. Stage 2: For underperforming financial instruments which credit risk have 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):

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 Group are as follows:

	30.09.2020									
	Mining and Quarrying RM'000	**Construction 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	-	-	-	34,707	-	-	-	-	-	34,707
Banks, DFIs and MDBs	-	-	292,361	-	-	-	-	-	-	292,361
Corporates	-	802	78,203	-	-	-	60,473	256,060	78	395,616
Regulatory retail	-	-	-	-	-	-	-	45,896	-	45,896
Higher risk assets	-	-	-	-	-	-	-	-	2,995	2,995
Other assets	188	-	30,044	-	188	40,771	-	87,322	240,894	399,407
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	188	802	400,608	34,707	188	40,771	60,473	389,278	243,967	1,170,982
Off balance sheet exposures										
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	3,625	-	-	-	4,067	38,198	-	45,890
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	3,625	-	-	-	4,067	38,198	-	45,890
Total on and off balance sheet exposures	188	**802**	**404,233**	**34,707**	**188**	**40,771**	**64,540**	**427,476**	**243,967**	**1,216,872**

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

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

	31.03.2020									
	Mining and Quarrying RM'000	**Construction 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	-	-	-	63,479	-	-	-	-	-	63,479
Banks, DFIs and MDBs	-	-	285,535	-	-	-	-	-	-	285,535
Corporates	-	802	78,195	-	-	-	52,301	227,241	387	358,926
Regulatory retail	-	-	-	-	-	-	-	27,307	-	27,307
Higher risk assets	-	-	-	-	-	-	-	-	2,771	2,771
Other assets	5	-	25,611	-	176	21,786	-	59,592	502,941	610,111
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	5	802	389,341	63,479	176	21,786	52,301	314,140	506,099	1,348,129
Off balance sheet exposures										
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	3,625	-	-	-	3,206	31,370	-	38,201
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	3,625	-	-	-	3,206	31,370	-	38,201
Total on and off balance sheet exposures	**5**	**802**	**392,966**	**63,479**	**176**	**21,786**	**55,507**	**345,510**	**506,099**	**1,386,330**

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

The impaired and past due loans and advances, allowances for expected credit losses, charges/writeback for expected credit losses and write offs during the year by sector of the Group are as follows:

	30.09.2020		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	-	19	**19**
Allowance for expected credit losses	-	20	**20**
Expected credit losses written back to profit or loss	-	116	**116**

	31.03.2020		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	1,671	132	**1,803**
Allowance for expected credit losses	1,671	136	**1,807**
Expected credit losses charged to profit or loss	-	132	**132**

The disclosure on reconciliation of loan loss allowances can be found in Note 12(i) of the financial statements. There are no charge offs and recoveries that have been taken up directly to the statement of profit or loss for the financial period ended 30 September 2020 and 31 March 2020.

Table 5.3: Geographical distribution of credit exposures

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

	30.09.2020		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	34,707	-	34,707
Banks, DFIs and MDBs	275,961	16,400	292,361
Corporates	395,616	-	395,616
Regulatory retail	45,896	-	45,896
Higher risk assets	2,990	5	2,995
Other assets	385,164	14,243	399,407
Total for on balance sheet exposures	1,140,334	30,648	1,170,982
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or credit	45,890	-	45,890
Total for off balance sheet exposures	45,890	-	45,890
Total on and off balance sheet exposures	**1,186,224**	**30,648**	**1,216,872**

	31.03.2020		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	63,479	-	63,479
Banks, DFIs and MDBs	268,571	16,964	285,535
Corporates	358,926	-	358,926
Regulatory retail	27,307	-	27,307
Higher risk assets	2,765	6	2,771
Other assets	595,894	14,217	610,111
Total for on balance sheet exposures	1,316,942	31,187	1,348,129
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or Credit	38,201	-	38,201
Total for off balance sheet exposures	38,201	-	38,201
Total on and off balance sheet exposures	**1,355,143**	**31,187**	**1,386,330**

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

The impaired and past due loans and advances which reside in Malaysia and impairment allowances are as follows:

	30.09.2020
	RM'000
Impaired loans and advances	19
Allowance for expected credit losses	20

	31.03.2020
	RM'000
Impaired loans and advances	1,803
Allowance for expected credit losses	1,807

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

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

	30.09.2020								
	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	139	-	-	30,118	-	-	4,450	-	34,707
Banks, DFIs and MDBs	292,361	-	-	-	-	-	-	-	292,361
Corporates	308,806	775	873	9,638	-	-	75,524	-	395,616
Regulatory retail	-	398	35	44,792	68	603	-	-	45,896
Higher risk assets	-	-	-	-	-	-	-	2,995	2,995
Other assets	382,343	-	-	-	-	-	-	17,064	399,407
Total for on balance sheet exposures	983,649	1,173	908	84,548	68	603	79,974	20,059	1,170,982
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	2,170	7,377	36,343	-	-	-	-	45,890
Total for off balance sheet exposures	-	2,170	7,377	36,343	-	-	-	-	45,890
Total on and off balance sheet exposures	**983,649**	**3,343**	**8,285**	**120,891**	**68**	**603**	**79,974**	**20,059**	**1,216,872**

	31.03.2020 (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	30,708	-	-	-	30,121	-	2,650	-	63,479
Banks, DFIs and MDBs	285,535	-	-	-	-	-	-	-	285,535
Corporates	262,878	-	7,402	12,823	386	-	75,437	-	358,926
Regulatory retail	-	8	241	26,386	80	592	-	-	27,307
Higher risk assets	-	-	-	-	-	-	-	2,771	2,771
Other assets	592,935	-	-	-	-	-	-	17,176	610,111
Total for on balance sheet exposures	1,172,056	8	7,643	39,209	30,587	592	78,087	19,947	1,348,129
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	125	5,256	1,075	31,745	-	-	-	-	38,201
Total for off balance sheet exposures	125	5,256	1,075	31,745	-	-	-	-	38,201
Total on and off balance sheet exposures	**1,172,181**	**5,264**	**8,718**	**70,954**	**30,587**	**592**	**78,087**	**19,947**	**1,386,330**

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 of banking subsidaries. 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 and advances. The comparatives on residual contractual maturity by major types of credit exposure 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.

6.0 Credit Risk Exposure under Standardised Approach

The Group uses external ratings for credit exposures to assign risk-weights under the Standardized Approach where relevant. The ratings from the following external credit assessment institutions ("ECAIs") are used :

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

6.0 Credit Risk Exposure under the Standardised Approach

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

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

	30.09.2020							
	Exposures after netting and credit risk mitigation							
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	34,707	-	75,445	-	-	1	110,153	-
20%	-	292,361	-	-	-	48,437	340,798	68,160
75%	-	-	-	3,732	-	-	3,732	2,799
100%	-	-	169,091	7,242	-	350,970	527,303	527,303
150%	-	-	-	-	2,995	-	2,995	4,493
Total	34,707	292,361	244,536	10,974	2,995	399,408	984,981	602,755

	31.03.2020							
	Exposures after netting and credit risk mitigation							
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	63,479	-	75,437	-	-	3	138,919	-
20%	-	285,535	-	-	-	39,588	325,123	65,024
75%	-	-	-	3,918	-	-	3,918	2,939
100%	-	-	159,491	-	-	570,521	730,012	730,012
150%	-	-	-	-	2,771	-	2,771	4,157
Total	63,479	285,535	234,928	3,918	2,771	610,112	1,200,743	802,132

Table 6.2: Rated Exposures according to Ratings by ECAIs

		30.09.2020					
		Ratings of Corporate by Approved ECAIs					
Exposure class	**Moodys**		**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	Fitch		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM		**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Credit exposures (using corporate risk weights)							
Corporates		422,199	-	-	-	-	422,199
Total		422,199	-	-	-	-	422,199

		31.03.2020					
		Ratings of Corporate by Approved ECAIs					
Exposure class	**Moodys**		**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	Fitch		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM		**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Credit exposures (using corporate risk weights)							
Corporates		388,837	-	-	-	-	388,837
Total		388,837	-	-	-	-	388,837

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

Exposure Class	30.09.2020						
	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central banks	34,707	-	34,707	-	-	-	-
Total	**34,707**	-	**34,707**	-	-	-	-

Exposure Class		31.03.2020						
		Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys		Aaa to Aa3				Caa1 to C	
	Fitch		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures								
Sovereigns and Central banks		63,479	-	63,479	-	-	-	-
Total		**63,479**	-	**63,479**	-	-	-	-

Exposure class		30.09.2020						
		Ratings of Banking Institutions by Approved ECAIs						
	Moodys		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures								
Banks, DFIs and MDBs		292,361	132,049	-	-	-	-	160,312
Total		**292,361**	132,049	**-**	**-**	-	-	**160,312**

Exposure class		31.03.2020						
		Ratings of Banking Institutions by Approved ECAIs						
	Moodys		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures								
Banks, DFIs and MDBs		285,535	76,255	16,308	51,153	-	-	141,819
Total		**285,535**	76,255	**16,308**	**51,153**	-	-	**141,819**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures	30.09.2020 Exposures before CRM RM'000	30.09.2020 Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	34,707	-
Banks, DFIs and MDBs	292,361	-
Corporates	395,616	211,960
Regulatory retail	45,896	44,182
Higher risk assets	2,995	-
Other assets	399,407	-
Total for on balance sheet exposures	1,170,982	256,142
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	45,890	34,657
Total for off balance sheet exposures	45,890	34,657
Total on and off balance sheet exposures	**1,216,872**	**290,799**

Exposures	31.03.2020 Exposures before CRM RM'000	31.03.2020 Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	63,479	-
Banks, DFIs and MDBs	285,535	-
Corporates	358,926	197,619
Regulatory retail	27,307	25,421
Higher risk assets	2,771	-
Other assets	610,111	-
Total for on balance sheet exposures	1,348,129	223,040
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	38,201	25,655
Total for off balance sheet exposures	38,201	25,655
Total on and off balance sheet exposures	**1,386,330**	**248,695**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

	30.09.2020			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on going underwriting agreements	8,615		-	-
Foreign exchange related contracts				
One year or less	1,187	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,229		8,115	6,839
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	188,875		37,775	7,444
Total	**214,906**	**-**	**45,890**	**14,283**

	31.03.2020			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Foreign exchange related contracts				
One year or less	489	-	-	-
Equity and commodity related contracts				
One year or less	64	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	27,834		13,917	10,802
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	121,420		24,284	5,988
Total	**149,807**	**-**	**38,201**	**16,790**

Table 8.2 : Credit Derivatives Counterparty Credit Risk (“CCR”)

As at 30 September 2020 and 31 March 2020, the Group does not have any credit derivatives.

9.0 Securitisation

The Group and the Bank did not have any securitisation exposure in its trading and banking books nor did it undertake any securitisation activities during the current financial period and for the year ended 31 March 2020.

10.0 Non-Traded Market Risk

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

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

Impact on Profit Before Tax

	30.09.2020		31.03.2020	
Currency	**Interest Rate/ Rate of Return + 100 bps (RM'000)**	**Interest Rate/ Rate of Return - 100 bps (RM'000)**	**Interest Rate/ Rate of Return + 100 bps (RM'000)**	**Interest Rate/ Rate of Return - 100 bps (RM'000)**
MYR	**2,142**	**(2,142)**	**2,462**	**(2,462)**

Impact on Equity

	30.09.2020		31.03.2020	
Currency	**Interest Rate/ Rate of Return + 100 bps (RM'000)**	**Interest Rate/ Rate of Return - 100 bps (RM'000)**	**Interest Rate/ Rate of Return + 100 bps (RM'000)**	**Interest Rate/ Rate of Return - 100 bps (RM'000)**
MYR	**(5,061)**	**5,605**	**(5,611)**	**6,164**

11.0 Equities (Banking Book Positions)

Measurement of equity securities - 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

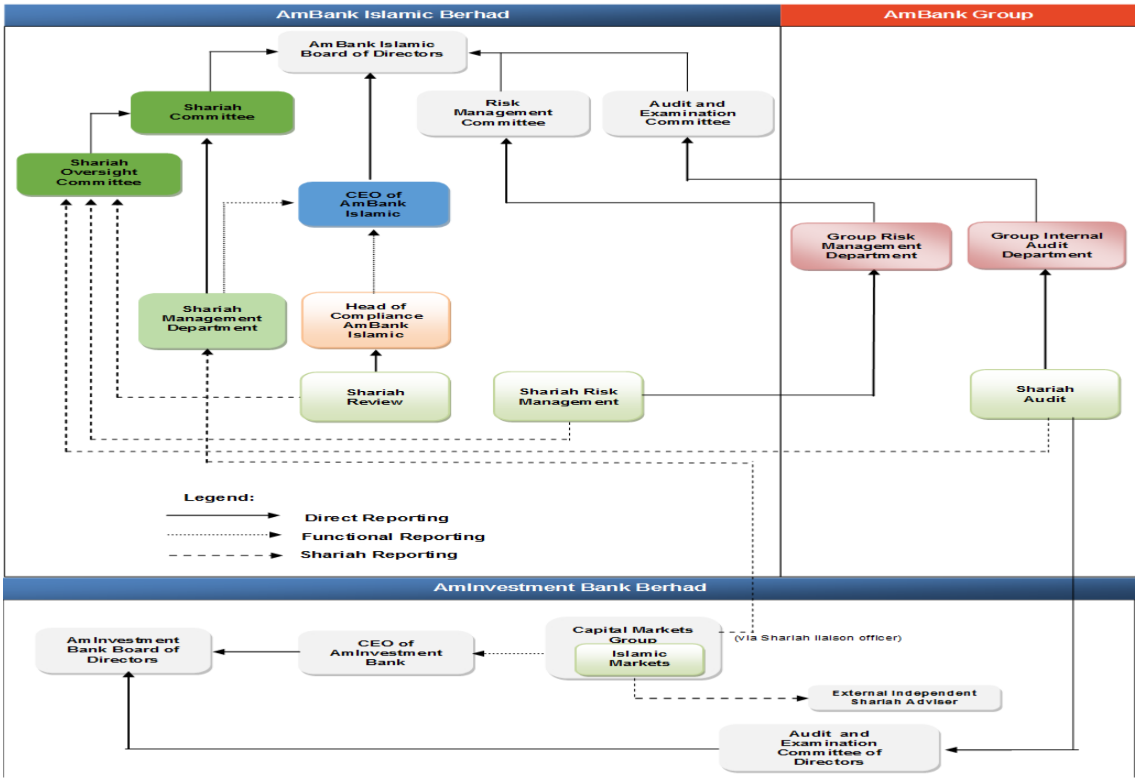
An analysis of equity investments by appropriate equity groupings and risk weighted assets of the Group are as follows:

	30.09.2020	31.03.2020
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	-	-
Value of unquoted (privately held) equities	2,995	2,771
Total	2,995	2,771
Net realised and unrealised gains/ (losses)		
Total unrealised gains/ (losses)	540	(90)
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	-	-
Equity investments subject to a 150% risk weight	4,493	4,157
Total	4,493	4,157
Total minimum capital requirement (8%)	359	333

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



A Shariah governance framework is put in place in the organizational structure of the AMMB Group for its Islamic banking operations, in accordance with the requirements of BNM's Policy Document on Shariah Governance. This is to ensure the Islamic operations and business activities of the AMMB Group, including AmInvestment Bank Berhad ("AmInvestment Bank") comply with the Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013 ("IFSA 2013") and the relevant guidelines issued by the Securities Commission Malaysia ("SC").

The Bank adopts a leverage model whereby, through its Islamic window i.e. Islamic Markets ("IM"), it leverages on AmBank Islamic Shariah Governance Structure, including the Shariah Committee of AmBank Islamic ("Shariah Committee"). Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Board of Directors

The Board of the Bank is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance pursuant to the IFSA 2013. The Board performs its oversight through various committees such as the Audit and Examination Committee of Directors ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

Audit and Examination Committee ("AEC") of Directors

AEC is a Board committee responsible for assisting the Board in ensuring the Bank's Islamic capital markets operations are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department.

Risk Management Committee

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 Senor Management on Shariah matters and endorsing and validating Islamic capital market products and services, Shariah policies and the relevant documentation in relation to the Bank's Islamic finance and capital markets operations and business activities.

13.0 Shariah Governance Structure (Contd.)

Shariah Liaison Officer, IM

As per the leveraging model, the 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 Management Department, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant line of businesses ("LOBs") under the Bank with regards to Islamic capital market products and services.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on Islamic capital markets product and services from Shariah perspective. In this regard, the Shariah Oversight Committee is responsible to oversee on Shariah aspects, the functions of Shariah Review, Shariah Risk Management, and Shariah Audit. The Shariah Oversight Committee also 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 the senior officers of the Bank, are responsible to make reference to the Shariah Committee or the external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Senior Management or the CEO 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 Research

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market product and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

Shariah Advisory

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision/pronouncement/resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM shall be in line with the Shariah Resolutions (fatwa) issued by the SAC of BNM and SC, at all times.

Shariah Risk Management

The Shariah Risk Management role is accountable to the Group Risk Management Department with Shariah reporting to the Shariah Oversight Commitee. A designated team namely the Shariah Risk Management team is responsible for the management of Shariah risk for the Bank. The Shariah Risk Management is a function to systematically identify, measure, monitor and report the occurrence of Shariah non-compliance risks in the business. 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 which is undertaken by the Bank's Compliance 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.

Shariah Audit

The Shariah Audit function is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic capital market products and services operations through the Shariah Audit function. The Shariah audit covers all activities particularly the operational components of the Islamic window of the Bank that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

13.1 Shariah Non-Compliant Income

There had been no Shariah non-compliant incidents and income for the current financial period and for the financial year ended 31 March 2020.