Registration No. 199401009897 (295576–U)

AmBank Islamic Berhad

Pillar 3 Disclosure

30 September 2023

CAFIB - Pillar 3 Disclosure
For 30 September 2023

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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 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

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 ("D-SIB").

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).

Frequency of Disclosure

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

Medium and Location of Disclosure

The Pillar 3 disclosure of the 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 an optimal 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 is 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 the 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.

The capital that the Bank is required to hold is determined by its risk exposures after applying collaterals and other risk mitigants.

The Bank has in place processes and controls to monitor and manage capital adequacy across the organisation. The Group Assets and Liabilities Committee (“GALCO”) is responsible for overseeing and managing the Bank’s 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.

2.0 Capital Management (Cont'd.)

On 9 December 2020, BNM issued revised policy document, Capital Adequacy Framework for Islamic Banks (Capital Components). The key addition to the revised policy document is the transitional arrangements for financial institutions on provisions for expected credit loss ("ECL"). Under this revised policy document, a financial institution is allowed to add back a portion of the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from Financial Year 2021 to Financial Year 2024.

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

Under transitional arrangement (Note (i))

	30 September 2023	31 March 2023
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET 1") Capital Ratio	12.847%	12.616%
Tier 1 capital ratio	12.847%	12.616%
Total capital ratio	18.938%	17.127%
After deducting proposed dividends:		
CET 1 Capital Ratio	12.666%	12.616%
Tier 1 capital ratio	12.666%	12.616%
Total capital ratio	18.756%	17.127%

Notes:

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios of the Bank had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangement not been applied, the capital ratios of the Bank as at 30 September 2023 and 31 March 2023 are as follow:

	30 September 2023	31 March 2023
Before deducting proposed dividends:		
CET 1 Capital Ratio	12.505%	12.026%
Tier 1 Capital ratio	12.505%	12.026%
Total Capital ratio	18.637%	16.801%
After deducting proposed dividends:		
CET 1 Capital Ratio	12.324%	12.026%
Tier 1 Capital ratio	12.324%	12.026%
Total Capital ratio	18.455%	16.801%

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 its exposure as "Investment account placement" 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 2023, the gross exposure and collective allowance relating to the RA financing were RM1,389.6 million and RM1.6 million respectively (31 March 2023: RM1,542.3 million and RM1.3 million respectively). There was no Stage 3 expected credit losses provided for the RA financing.

2.2 Mudarabah Term Investment Account ("MTIA-i")

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 2023, the outstanding MTIA-i stood at RM2.2 million (31 March 2023: RM2.7 million).

The underlying assets tagged to both RA and MTIA-i excluded from the risk weighted capital adequacy computation of the Bank for 30 September 2023 amounted to RM1,391.8 million (31 March 2023: RM1,545.0 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 2023

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 Profit Sharing Investment Account ("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		5,291,820	5,291,820	-	-	-	-
Public Sector Entities ("PSEs")		1,513	1,513	303	-	303	24
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		2,199,974	2,199,974	393,769	-	393,769	31,502
Insurance Companies, Securities Firms and Fund Managers		689	689	689	-	689	55
Corporates		25,585,157	25,117,890	17,620,922	1,389,622	16,231,300	1,298,504
Regulatory Retail		16,193,445	12,718,320	10,498,551	2,165	10,496,386	839,711
Residential Mortgages		9,034,225	9,034,225	3,683,121	-	3,683,121	294,650
Higher Risk Assets		282	282	424	-	424	34
Other Assets		200,740	200,740	118,431	-	118,431	9,474
Defaulted Exposures		527,431	526,298	473,514	-	473,514	37,881
Total for On-Balance Sheet Exposures		**59,035,276**	**55,091,751**	**32,789,724**	**1,391,787**	**31,397,937**	**2,511,835**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		144,909	144,909	120,617	-	120,617	9,649
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		4,442,814	2,933,862	2,389,646	-	2,389,646	191,172
Defaulted Exposures		12,510	11,287	16,736	-	16,736	1,339
Total for Off-Balance Sheet Exposures		**4,600,233**	**3,090,058**	**2,526,999**	**-**	**2,526,999**	**202,160**
Total On and Off-Balance Sheet Exposures		**63,635,509**	**58,181,809**	**35,316,723**	**1,391,787**	**33,924,936**	**2,713,995**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	5,819,097	4,235,954		139,725	-	139,725	11,178
- Specific rate of return risk	1,584,592	-		4,405	-	4,405	352
Foreign Currency Risk	575	152,926		152,925	-	152,925	12,234
Option Risk	-	-		-	-	-	-
Total	**7,404,264**	**4,388,880**		**297,055**	**-**	**297,055**	**23,764**
4. **Operational Risk**				2,051,514	-	2,051,514	164,121
5. **Total RWA and Capital Requirements**				37,665,292	1,391,787	36,273,505	2,901,880

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

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

31 March 2023

Exposure Class		Gross Exposures/ EAD before 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		7,570,740	7,570,740	-	-	-	-
Public Sector Entities		1,814	1,814	363	-	363	29
Banks, DFIs and MDBs		481,487	481,487	122,029	-	122,029	9,763
Insurance Companies, Securities Firms & Fund Managers		2,588	2,588	2,588	-	2,588	207
Corporates		26,328,156	25,854,084	18,714,218	1,542,297	17,171,921	1,373,754
Regulatory Retail		16,603,955	12,586,915	10,463,089	2,740	10,460,349	836,828
Residential Mortgages		8,071,639	8,071,639	3,322,342	-	3,322,342	265,787
Higher Risk Assets		285	285	427	-	427	34
Other Assets		190,279	190,279	107,970	-	107,970	8,638
Defaulted Exposures		450,982	449,883	386,652	-	386,652	30,931
Total for On-Balance Sheet Exposures		**59,701,925**	**55,209,714**	**33,119,678**	**1,545,037**	**31,574,641**	**2,525,971**
Off-Balance Sheet Exposures							
OTC Derivatives		139,241	139,241	99,149	-	99,149	7,932
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		4,007,772	2,518,865	2,109,605	-	2,109,605	168,768
Defaulted Exposures		12,321	10,433	15,614	-	15,614	1,249
Total for Off-Balance Sheet Exposures		**4,159,334**	**2,668,539**	**2,224,368**	**-**	**2,224,368**	**177,949**
Total On and Off-Balance Sheet Exposures		**63,861,259**	**57,878,253**	**35,344,046**	**1,545,037**	**33,799,009**	**2,703,920**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	6,426,570	3,782,414		183,832	-	183,832	14,707
- Specific rate of return risk	2,569,138	-		8,398	-	8,398	672
Foreign Currency Risk	397	110,127		110,127	-	110,127	8,810
Option Risk	150,000	-		2,320	-	2,320	186
Total	**9,146,105**	**3,892,541**		**304,677**	**-**	**304,677**	**24,375**
4. **Operational Risk**				1,969,050	-	1,969,050	157,524
5. **Total RWA and Capital Requirements**				**37,617,773**	**1,545,037**	**36,072,736**	**2,885,819**

3.0 Capital Structure

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

- CET 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/or 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.

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.

On 19 December 2018, AmBank Islamic revised the terms of the Programme to include the non-viability trigger event referenced to the financial group. The revision is and will be applicable to all existing and future capital instruments issued under the Programme.

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2023 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	500
8 December 2020	8 December 2025	10 years Non-Callable 5 years	3.13% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.25% per annum	250
28 March 2023	28 March 2028	10 years Non-Callable 5 years	4.53% per annum	150
27 June 2023	27 June 2028	10 years Non-Callable 5 years	4.53% per annum	500
Total				1,800

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 2023 RM'000	31 March 2023 RM'000
CET1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	3,213,550	3,022,623
Fair value reserve	(8,124)	(9,188)
Regulatory reserve	28,500	-
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(285)	(298)
- Deferred tax assets	(56,014)	(62,097)
- Regulatory reserve	(28,500)	-
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(112)	(75)
- Other CET 1 regulatory adjustment specified by BNM	124,080	212,690
CET1 Capital/ Tier 1 Capital	4,660,202	4,550,762
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,800,000	1,300,000
General provision*	409,103	327,419
Tier 2 Capital	2,209,103	1,627,419
Total Capital	6,869,305	6,178,181

* Consists of stage 1 and stage 2 loss allowances.

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

	30 September 2023 RM'000	31 March 2023 RM'000
Credit RWA	35,316,723	35,344,046
Less : Credit RWA absorbed by PSIA	(1,391,787)	(1,545,037)
Total Credit RWA	33,924,936	33,799,009
Market RWA	297,055	304,677
Operational RWA	2,051,514	1,969,050
Total Risk Weighted Assets	36,273,505	36,072,736

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation for 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, Operational Risk and Technology 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 Management ("ORM") tools.

AMMB Group Risk Direction

AMMB Group's FY2021 to FY2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of ≥10%, (2) Sharpening Our Segment Play, (3) Harnessing expertise across AMMB Group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P2ACE") DNA, (7) Integrating Environmental, Social and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

- AMMB Group aspires to have a minimum the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").

- 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").

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

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

- 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;

4.0 General Risk Management (Cont'd.)

AMMB Group Risk Direction (Cont'd.)

- 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 July 2020).

• 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"); and
- Remain vigilant in risk identification and management to protect its reputation and business franchise.

• AMMB Group aims for at least 70% of its financing portfolio to constitute exposures with low Environmental, Social and Governance Risk Grade ("ESG-RG") by FY 2030.

• AMMB Group aims to maintain its Rate of Return Risk in Banking Book ("RORBB") ICAAP Pillar 2 over total capital ratio for the Bank at below 10%.

Risk Management Governance

The Board is ultimately accountable for the management of risks within the Bank. 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, technology and cyber risk.

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

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, emerging risks and ESG risk;
• essentially champions and embeds a positive risk culture across the Bank to ensure that risk-taking activities across the Bank are aligned to the Bank’s risk appetite and strategies; and
• through the RMC, has access to AMMB Board and the Boards of the respective banking entities to facilitate suitable escalation of issues of concern across the organisation.

4.0 General Risk Management (Cont'd.)

Impact of Expired Payment Holiday/ Repayment Assistance

There is potential emerging risk on consumer and small SMEs portfolio arising from the expiry of payment holiday and repayment assistance (PH/RA) plans offered to customers during the COVID-19 pandemic as well as the multiple OPR hikes. The AMMB Group remained cautious especially for those segment that expired from multiple enrolment of the assistance programs. The expired PH/RA pool is on a diminishing trend, upon fuifillment of the prescribed monitoring period. However, close monitoring is being carried out on the remaining accounts in this segment.

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”) • Expected loss ("EL") • Gross Impaired Financing ("GIF")
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 postmortem credit review • Annual refresh of customers' credit risk rating

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 (please refer to Section 13 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 Risk Appetite Framework ("GRAF") and related credit policies.

5.0 Credit Risk Management (Cont'd.)

For non-retail credit, 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 credit, credit-scoring systems to better differentiate the quality of customers 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;
- financing loss provision calculation;
- stress testing; and
- enhancement to portfolio management.

Financing activities are guided by internal credit policies and GRAF 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") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") 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, and RCP for RB) sets out the controls in managing R&R financing; and
- Setting Retail risk controls capping for higher risk segment, to ensure credit approval practice is aligned with the credit policies and GRAF.

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 relevant governance for the respective Line of Businesses is 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 Bank 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 relevant guidelines indicating the unlikeliness to repay are hit.

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 the AMMB Group recognises Expected Credit Loss ("ECL") at all times to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about ECL.

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

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. The AMMB Group calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

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

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

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

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

Change in credit quality since initial recognition

Stage 1 (Initial recognition)	Stage 2 (Significant increase in credit risk since initial recognition)	Stage 3 (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 2023	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	-	-	-	-	-	-	-	-	5,291,820	-	-	-	-	-	5,291,820
Public Sector Entities	-	-	-	-	-	-	-	-	1,513	-	-	-	-	-	1,513
Banks, DFIs and MDBs	-	-	-	-	-	-	-	2,199,974	-	-	-	-	-	-	2,199,974
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-	-	689	-	-	-	-	-	-	689
Corporates	1,955,276	907,785	4,219,475	1,197,369	2,043,467	2,901,179	2,659,684	5,364,663	-	2,696,632	1,253,446	339,440	36,478	10,263	25,585,157
Regulatory Retail	6,894	3,429	107,276	5,056	42,376	191,690	53,330	3,243	-	13,861	52,946	10,298	15,702,311	735	16,193,445
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	9,034,225	-	9,034,225
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	282	-	282
Other Assets	-	-	-	-	-	-	-	-	82,309	-	-	-	-	118,431	200,740
Defaulted Exposures	837	122,509	27,621	-	5,763	51,562	1,453	-	-	24,503	3,203	348	289,405	227	527,431
Total for On Balance Sheet Exposures	1,963,007	1,033,723	4,354,372	1,202,425	2,091,606	3,144,431	2,714,467	7,568,569	5,375,642	2,734,996	1,309,595	350,086	25,062,701	129,656	59,035,276
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	61,057	123	-	497	-	83,232	-	-	-	-	-	-	144,909
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	138,545	28,448	1,116,919	191,633	807,536	562,663	244,264	147,848	-	189,407	101,755	35,837	876,964	995	4,442,814
Defaulted Exposures	-	980	5,045	-	56	-	8	-	-	457	-	-	5,964	-	12,510
Total for Off-Balance Sheet Exposures	138,545	29,428	1,183,021	191,756	807,592	563,160	244,272	231,080	-	189,864	101,755	35,837	882,928	995	4,600,233
Total On and Off-Balance Sheet Exposures	**2,101,552**	**1,063,151**	**5,537,393**	**1,394,181**	**2,899,198**	**3,707,591**	**2,958,739**	**7,799,649**	**5,375,642**	**2,924,860**	**1,411,350**	**385,923**	**25,945,629**	**130,651**	**63,635,509**

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 2023	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	-	-	-	-	-	-	-	-	7,570,740	-	-	-	-	-	7,570,740
Public Sector Entities	-	-	-	-	-	-	-	-	1,814	-	-	-	-	-	1,814
Banks, DFIs and MDBs	-	-	-	-	-	-	-	481,487	-	-	-	-	-	-	481,487
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-	-	2,588	-	-	-	-	-	-	2,588
Corporates	2,172,507	943,167	4,803,398	1,042,437	2,119,422	3,092,454	2,471,664	5,686,608	-	2,859,219	659,238	426,035	47,161	4,846	26,328,156
Regulatory Retail	4,278	2,516	109,220	3,601	42,859	176,120	54,569	3,419	-	7,447	55,689	11,556	16,132,548	133	16,603,955
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	8,071,639	-	8,071,639
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	285	-	285
Other Assets	-	-	-	-	-	-	-	-	82,309	-	-	-	-	107,970	190,279
Defaulted Exposures	548	129,422	28,810	152	5,833	24,915	1,911	-	-	5,885	2,651	919	249,936	-	450,982
Total for On-Balance Sheet Exposures	2,177,333	1,075,105	4,941,428	1,046,190	2,168,114	3,293,489	2,528,144	6,174,102	7,654,863	2,872,551	717,578	438,510	24,501,569	112,949	59,701,925
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	43,053	120	-	617	-	95,451	-	-	-	-	-	-	139,241
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	77,644	30,456	952,820	104,752	941,875	527,004	225,517	24,702	-	160,520	62,561	32,962	866,561	398	4,007,772
Defaulted Exposures	-	1,574	5,426	-	81	306	80	-	-	234	-	-	4,620	-	12,321
Total for Off-Balance Sheet Exposures	77,644	32,030	1,001,299	104,872	941,956	527,927	225,597	120,153	-	160,754	62,561	32,962	871,181	398	4,159,334
Total On and Off-Balance Sheet Exposures	**2,254,977**	**1,107,135**	**5,942,727**	**1,151,062**	**3,110,070**	**3,821,416**	**2,753,741**	**6,294,255**	**7,654,863**	**3,033,305**	**780,139**	**471,472**	**25,372,750**	**113,347**	**63,861,259**

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

The amounts of impaired and past due financing, impairment allowances, charges for individual impairment allowances and write offs during the period/year of the Bank by sector are as follows:

30 September 2023	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	971	33,768	50,776	-	7,863	99,802	4,290	-	23,106	4,534	353	371,869	**597,332**
Past due but not impaired financing	81,586	316	44,002	2,566	44,423	563,775	12,421	115	97,393	11,306	4,825	2,572,733	**3,435,461**
Allowances for expected credit loss	5,042	1,146	116,139	1,727	15,052	62,569	119,000	41,584	7,164	4,697	942	258,092	**633,154**
Charges/(Writeback) for individual allowance	-	1,439	539	-	373	43,153	2,687	-	459	1,084	35	-	**49,769**
Write-offs against individual allowances	-	2,043	1,208	-	11,450	35,174	1,259	-	-	-	706	-	**51,840**

31 March 2023	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	614	38,685	50,598	167	19,933	70,256	3,817	-	498	2,857	1,645	332,085	**521,155**
Past due but not impaired financing	84,016	1,339	45,341	327	69,905	120,020	13,741	132	57,216	10,656	53,086	2,524,745	**2,980,524**
Allowances for expected credit loss	3,481	1,741	85,299	1,243	29,657	53,558	135,312	76,515	14,960	2,962	2,648	271,613	**678,989**
Charges/(Writeback) for individual allowance	-	14,339	21,957	-	3,464	27,917	1,065	-	(4,586)	-	676	-	**64,832**
Write-offs against individual allowances	-	136,650	11,961	-	-	23,584	-	-	-	-	-	-	**172,195**

Table 5.3: Geographical distribution of credit exposures

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

30 September 2023	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,291,820	-	5,291,820
Public Sector Entities	1,513	-	1,513
Banks, DFIs and MDBs	2,118,142	81,832	2,199,974
Insurance Companies, Securities Firms and Fund Managers	689	-	689
Corporates	25,585,157	-	25,585,157
Regulatory Retail	16,193,445	-	16,193,445
Residential Mortgages	9,034,225	-	9,034,225
Higher Risk Assets	282	-	282
Other Assets	200,740	-	200,740
Defaulted Exposures	527,431	-	527,431
Total for On Balance Sheet Exposures	58,953,444	81,832	59,035,276
Off-Balance Sheet Exposures			
OTC Derivatives	144,909	-	144,909
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,442,814	-	4,442,814
Defaulted Exposures	12,510	-	12,510
Total for Off-Balance Sheet Exposures	4,600,233	-	4,600,233
Total On and Off-Balance Sheet Exposures	**63,553,677**	**81,832**	**63,635,509**

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 2023	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	7,570,740	-	7,570,740
Public Sector Entities	1,814	-	1,814
Banks, DFIs and MDBs	413,454	68,033	481,487
Insurance Companies, Securities Firms and Fund Managers	2,588	-	2,588
Corporates	26,328,156	-	26,328,156
Regulatory Retail	16,603,955	-	16,603,955
Residential Mortgages	8,071,639	-	8,071,639
Higher Risk Assets	285	-	285
Other Assets	190,279	-	190,279
Defaulted Exposures	450,982	-	450,982
Total for On-Balance Sheet Exposures	59,633,892	68,033	59,701,925
Off-Balance Sheet Exposures			
OTC Derivatives	139,241	-	139,241
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,007,772	-	4,007,772
Defaulted Exposures	12,321	-	12,321
Total for Off-Balance Sheet Exposures	4,159,334	-	4,159,334
Total On and Off-Balance Sheet Exposures	**63,793,226**	**68,033**	**63,861,259**

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 2023	**Total**
	RM'000
Impaired financing	597,332
Past due but not impaired financing	3,435,461
Allowances for expected credit loss	633,154

31 March 2023	**Total**
	RM'000
Impaired financing	521,155
Past due but not impaired financing	2,980,524
Allowances for expected credit loss	678,989

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 2023	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	989,594	203,033	-	81,031	1,019,948	480,644	2,517,570	-	5,291,820
Public Sector Entities	-	-	-	-	1,121	392	-	-	1,513
Banks, DFIs and MDBs	1,196,001	657,330	190,723	-	80,217	45,255	30,448	-	2,199,974
Insurance Companies, Securities Firms and Fund Managers	-	-	-	689	-	-	-	-	689
Corporates	8,607,855	2,501,880	1,483,304	2,330,375	2,994,685	2,173,136	5,493,922	-	25,585,157
Regulatory Retail	38,114	16,361	30,314	618,323	438,769	741,194	14,310,370	-	16,193,445
Residential Mortgages	141	94	66	420	5,105	12,205	9,016,194	-	9,034,225
Higher Risk Assets	-	-	-	-	-	-	282	-	282
Other Assets	82,309	-	-	-	-	-	-	118,431	200,740
Defaulted Exposures	60,613	2,291	761	26,267	30,832	117,931	288,736	-	527,431
Total for On-Balance Sheet Exposures	10,974,627	3,380,989	1,705,168	3,057,105	4,570,677	3,570,757	31,657,522	118,431	59,035,276
Off-Balance Sheet Exposures									
OTC Derivatives	695	7,683	37,620	24,412	-	74,499	-	-	144,909
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	418,493	199,743	740,407	2,557,929	507	1,075	524,660	-	4,442,814
Defaulted Exposures	467	256	1,825	4,116	-	23	5,823	-	12,510
Total for Off-Balance Sheet Exposures	419,655	207,682	779,852	2,586,457	507	75,597	530,483	-	4,600,233
Total On and Off-Balance Sheet Exposures	**11,394,282**	**3,588,671**	**2,485,020**	**5,643,562**	**4,571,184**	**3,646,354**	**32,188,005**	**118,431**	**63,635,509**

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 2023	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	2,045,564	299,004	800,910	410,857	823,705	212,009	2,978,691	-	7,570,740
Public Sector Entities	-	-	-	-	1,367	447	-	-	1,814
Banks, DFIs and MDBs	274,745	-	-	140,895	40,514	-	25,333	-	481,487
Insurance Companies, Securities Firms and Fund Managers	-	-	-	2,588	-	-	-	-	2,588
Corporates	9,465,837	2,670,248	1,172,211	2,160,951	2,867,672	2,306,056	5,685,181	-	26,328,156
Regulatory Retail	43,366	20,894	30,409	583,981	538,574	755,809	14,630,922	-	16,603,955
Residential Mortgages	141	17	66	413	5,424	12,947	8,052,631	-	8,071,639
Higher Risk Assets	-	-	-	-	-	-	285	-	285
Other Assets	82,309	-	-	-	-	-	-	107,970	190,279
Defaulted Exposures	63,694	408	533	12,611	19,681	24,717	329,338	-	450,982
Total for On-Balance Sheet Exposures	11,975,656	2,990,571	2,004,129	3,312,296	4,296,937	3,311,985	31,702,381	107,970	59,701,925
Off-Balance Sheet Exposures									
OTC Derivatives	1,853	2,215	17,693	37,296	10,953	69,231	-	-	139,241
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	689,941	151,269	215,358	2,359,765	2,139	1,711	587,589	-	4,007,772
Defaulted Exposures	142	625	116	6,935	-	23	4,480	-	12,321
Total for Off-Balance Sheet Exposures	691,936	154,109	233,167	2,403,996	13,092	70,965	592,069	-	4,159,334
Total On and Off-Balance Sheet Exposures	**12,667,592**	**3,144,680**	**2,237,296**	**5,716,292**	**4,310,029**	**3,382,950**	**32,294,450**	**107,970**	**63,861,259**

Table 5.6: Charge offs and recoveries for financing and advances

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 2023	**(Charge off)/recoveries RM'000**
Bad debts written off during the period	(6,004)
Bad debt recoveries during the period	57,065

31 March 2023	**(Charge off)/recoveries RM'000**
Bad debts written off during the year	(11,519)
Bad debt recoveries during the year	142,234

6.0 Credit Risk Exposure under the Standardised Approach

AMMB Group uses external ratings for credit exposures to assign risk-weights under the Standardised 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")

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 2023

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%	5,291,820	-	231,129	-	5,462,255	36,176	-	-	82,309	11,103,689	-
20%	-	1,513	1,974,770	-	2,893,317	70,558	-	-	-	4,940,158	988,031
35%	-	-	-	-	-	-	5,585,602	-	-	5,585,602	1,954,961
50%	-	-	48,761	-	205,423	9,593	3,544,458	-	-	3,808,235	1,904,117
75%	-	-	-	-	-	9,361,930	-	-	-	9,361,930	7,021,448
100%	-	-	-	689	18,878,326	4,164,262	88,545	-	118,431	23,250,253	23,250,253
150%	-	-	-	-	63,127	68,055	-	760	-	131,942	197,913
Total	5,291,820	1,513	2,254,660	689	27,502,448	13,710,574	9,218,605	760	200,740	58,181,809	35,316,723

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 2023

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%	7,570,740	-	181,409	-	5,397,631	29,082	-	-	82,309	13,261,171	-
20%	-	1,814	98,366	-	2,369,615	81,557	-	-	-	2,551,352	510,270
35%	-	-	-	-	-	-	4,786,265	-	-	4,786,265	1,675,193
50%	-	-	287,072	-	209,549	9,499	3,360,696	-	-	3,866,816	1,933,408
75%	-	-	-	-	-	8,959,025	-	-	-	8,959,025	6,719,269
100%	-	-	-	2,588	19,744,391	4,428,249	65,863	-	107,970	24,349,061	24,349,061
150%	-	-	-	-	39,261	64,542	-	760	-	104,563	156,845
Total	7,570,740	1,814	566,847	2,588	27,760,447	13,571,954	8,212,824	760	190,279	57,878,253	35,344,046

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2023

		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)	1,513	-	-	1,513
Insurance Companies, Securities Firms and Fund managers	689	-	-	689
Corporates	29,371,210	2,453,302	76,439	26,841,469
Total	**29,373,412**	**2,453,302**	**76,439**	**26,843,671**

31 March 2023

		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)	1,814	-	-	1,814
Insurance Companies, Securities Firms and Fund managers	2,588	-	-	2,588
Corporates	29,631,049	1,963,860	76,442	27,590,747
Total	**29,635,451**	**1,963,860**	**76,442**	**27,595,149**

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

30 September 2023

Exposure Class		Ratings of Sovereigns and Central Banks by Approved ECAIs
	Moody's	Baa1 to Ba3
	Fitch	BBB+ to BB-
	RAM	BBB1 to BB3
	MARC	BBB+ to BB-
	RM'000	RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	5,291,820	5,291,820
Total	**5,291,820**	**5,291,820**

31 March 2023

Exposure Class		Ratings of Sovereigns and Central Banks by Approved ECAIs
	Moody's	Baa1 to Ba3
	Fitch	BBB+ to BB-
	RAM	BBB1 to BB3
	MARC	BBB+ to BB-
	RM'000	RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	7,570,740	7,570,740
Total	**7,570,740**	**7,570,740**

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

30 September 2023

		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
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>On and Off-Balance Sheet Exposures</u>					
Banks, DFIs and MDBs	2,254,660	1,172,924	1,056,833	6,083	18,820
Total	**2,254,660**	**1,172,924**	**1,056,833**	**6,083**	**18,820**

31 March 2023

		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
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>On and Off-Balance Sheet Exposures</u>					
Banks, DFIs and MDBs	566,847	256,009	276,119	10,953	23,766
Total	**566,847**	**256,009**	**276,119**	**10,953**	**23,766**

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 2023	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	5,291,820	-	-
Public Sector Entities	1,513	-	-
Banks, DFIs and MDBs	2,199,974	-	-
Insurance Companies, Securities Firms and Fund Managers	689	-	-
Corporates	25,585,157	2,674,821	1,328,921
Regulatory Retail	16,193,445	98,179	4,369,616
Residential Mortgages	9,034,225	-	-
Higher Risk Assets	282	-	-
Other Assets	200,740	-	-
Defaulted Exposures	527,431	11,468	1,488
Total On-Balance Sheet Exposures	59,035,276	2,784,468	5,700,025
Off-Balance Sheet Exposures			
OTC Derivatives	144,909	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,442,814	293,421	1,705,176
Defaulted Exposures	12,510	-	1,223
Total Off-Balance Sheet Exposures	4,600,233	293,421	1,706,399
Total On and Off-Balance Sheet Exposures	**63,635,509**	**3,077,889**	**7,406,424**

Exposures 31 March 2023	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	7,570,740	-	-
Public Sector Entities	1,814	-	-
Banks, DFIs and MDBs	481,487	-	-
Insurance Companies, Securities Firms and Fund Managers	2,588	-	-
Corporates	26,328,156	2,894,933	1,333,773
Regulatory Retail	16,603,955	101,400	5,067,722
Residential Mortgages	8,071,639	-	-
Higher Risk Assets	285	-	-
Other Assets	190,279	-	-
Defaulted Exposures	450,982	12,463	1,479
Total for On-Balance Sheet Exposures	59,701,925	3,008,796	6,402,974
Off-Balance Sheet Exposures			
OTC Derivatives	139,241	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,007,772	160,000	1,696,925
Defaulted Exposures	12,321	-	1,888
Total for Off-Balance Sheet Exposures	4,159,334	160,000	1,698,813
Total On and Off-Balance Sheet Exposures	**63,861,259**	**3,168,796**	**8,101,787**

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 2023

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	625,520		625,511	576,912
Transaction related contingent items	887,255		441,933	329,821
Short term self liquidating trade related	85,094		17,019	15,155
Forward asset purchases	70,500		925	185
Foreign exchange related contracts	1,144,863	33,998	31,753	31,753
One year or less	1,112,024	33,335	29,823	29,823
Over one year to five years	32,839	663	1,930	1,930
Other commodity contracts	79,610	2,074	6,083	3,042
One year or less	79,610	2,074	6,083	3,042
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,612,658	26,883	107,073	85,822
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,060,447		530,223	391,376
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	7,443,810		2,491,593	833,057
Unutilised credit card lines	1,740,598		348,120	259,876
Total	16,750,355	62,955	4,600,233	2,526,999

31 March 2023

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	723,168		719,719	530,424
Transaction related contingent items	970,420		480,079	376,178
Short term self liquidating trade related contingencies	87,309		17,462	14,678
Obligations under an on-going underwriting agreement	150,000		-	-
Foreign exchange related contracts	1,284,757	4,587	44,065	44,065
One year or less	775,727	3,540	13,890	13,890
Over one year to five years	509,030	1,047	30,175	30,175
Other commodity contracts	74,952	6,456	10,953	5,476
Over one year to five years	74,952	6,456	10,953	5,476
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	2,965,778	25,320	84,223	49,608
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,047,668		523,834	386,856
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,029,138		1,937,891	562,344
Unutilised credit card lines	1,705,540		341,108	254,739
Total	14,038,730	36,363	4,159,334	2,224,368

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 2023 and financial year ended 31 March 2023.

10.0 Non-Traded Market Risk ("NTMR")

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

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 2023	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	1,502	(1,502)
Impact on equity	(598,559)	664,126

31 March 2023	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(14,369)	14,369
Impact on equity	(624,439)	689,871

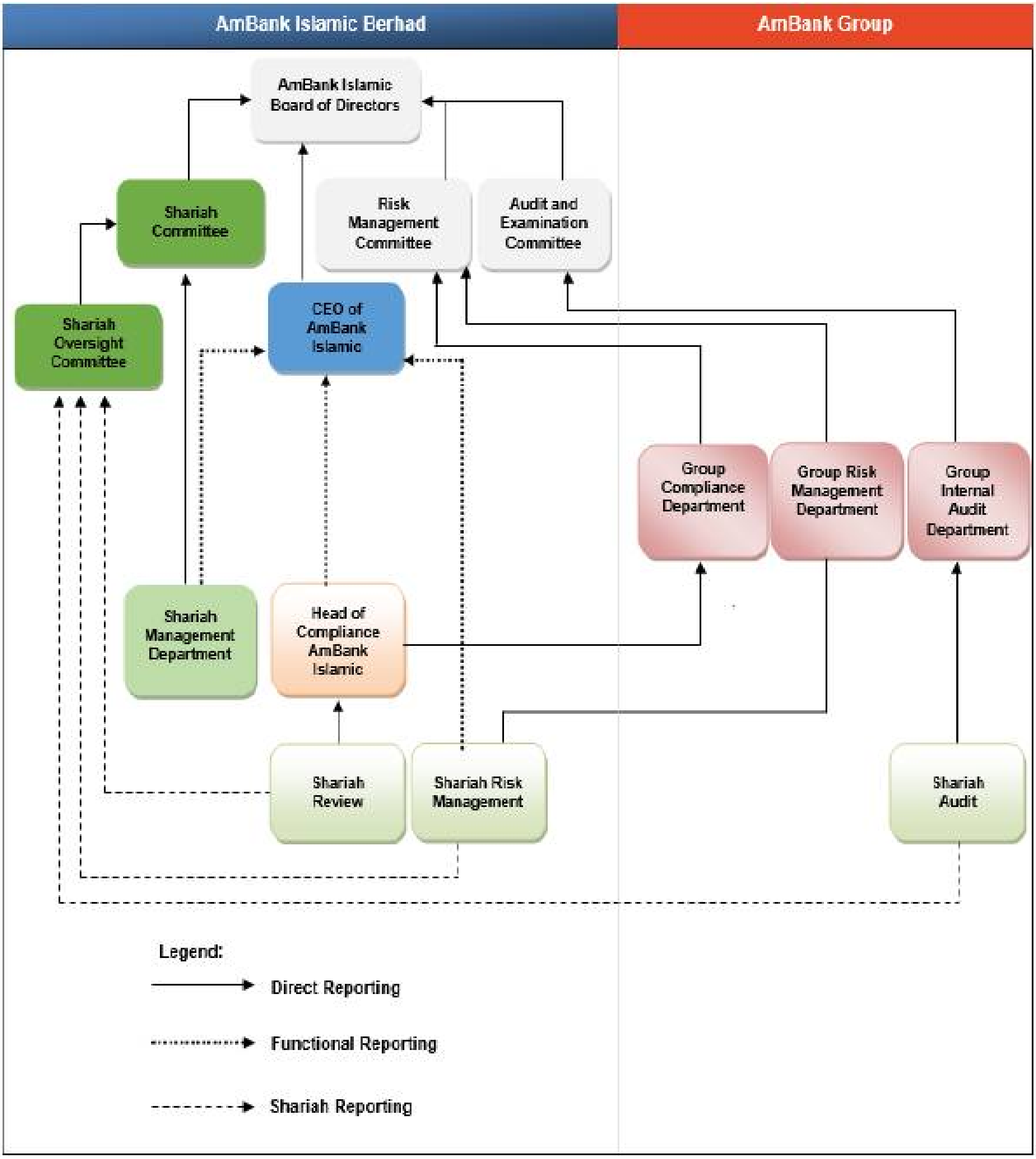
11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2023 and 31 March 2023.

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 requirements.

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

13.0 Shariah Governance Structure (Cont'd.)

Board of Directors

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

Audit and Examination Committee ("AEC")

The AEC is a Board committee responsible for assisting the Board in ensuring that the Bank's operations are Shariah compliant through the independent assurance from the Shariah audit function. The reports from the Shariah Review Section are also presented to the AEC for information. The AEC also provides the recommendation on the performance evaluation and reappointment of the Shariah Committee members to the Group Nomination and Remuneration Committee for onward recommendation to the Board.

Risk Management Committee ("RMC")

RMC is a Board committee responsible for assisting the Board in ensuring that risk management (including Shariah risk management) controls and processes are in place.

Shariah Committee

The Shariah Committee is responsible on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing products and services, Shariah policies and the relevant documentation in relation to the Bank's business and operations. In addition to endorsing the zakat computation mechanism and the proposed recipients for zakat distribution, the Shariah Committee provides advice and guidance on the management of the 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 incidents as well as treatment of any Shariah non-compliant income.

13.0 Shariah Governance Structure (Cont'd.)

Senior Management

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

Shariah Management Department

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

Shariah Risk Management

The Shariah Risk Management Section is accountable to the Group Risk Management Department and the CEO of AmBank Islamic, and has Shariah reporting to the Shariah Oversight Committee. Shariah risk management is a function that systematically identifies, measures, mitigates, controls, monitors and reports any Shariah non-compliance risks to prevent any Shariah non-compliant incidents in the businesses, operations, affairs and activities of the Bank.

The management of Shariah risk is executed through the three lines of defences, which are: 1st-The Business Units/Functional Lines and Shariah Management Department; 2nd- Shariah Risk Management and Shariah Review; 3rd - Shariah Audit.

Shariah Review

The Shariah Review Section is accountable to the Head of Compliance, AmBank Islamic with Shariah reporting to the Shariah Oversight Committee. Shariah Review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of the Bank which are predominantly transactional in nature, with Shariah requirements.

Shariah Audit

The Shariah Audit Section is accountable to the Audit and Examination Committee with Shariah reporting to the Shariah Oversight Committee. The Shariah Audit Section is a dedicated team within the Group Internal Audit Department, and is responsible to conduct independent assessment on the quality and effectiveness of the Bank’s internal control, risk management systems, governance processes as well as the overall compliance of the Bank’s operations, business, affairs and activities with Shariah requirements. The scope of Shariah audit includes 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 ended 30 September 2023, there were no Shariah non-compliant ("SNC") incidents.

For the financial year ended 31 March 2023, there were no SNC incidents.

15.0 Investment Account (“IA”)

The Bank offers two types of Investment Account (“IA”) namely, Restricted Investment Account (“RA”) which refers to a type of IA where the Investment Account Holder ("IAH") provides a specific investment to the Bank and Unrestricted Investment Account (“UA”) which refers to a type of 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.

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.

As part of the measures to further enhance financing capacity of the Bank, the Bank is allowed to recognise the placement of Investment accounts for the purpose of:

- Computation of Single Customer Exposure Limit ("SCEL"), where the RA placement maintained by the Bank shall be captured via look-through approach whereby the exposure to the counterparty in relation to the underlying asset invested by the Bank. The exposure shall be aggregated with all other exposure to such counterparty which in this case AmBank.

- Credit and market risk weighted assets funded by RA and UA are allowed to be excluded from the Bank’s calculation of Risk Weighted Capital Ratio ("RWCR"). Hence, allowing the Bank to enhance its financing capacity.

The IA is structured based on application of Shariah contracts terms which do not create an obligation for the Bank to repay in full the money accepted from the IAH. The structure and term of the IA provide sufficient legal enforceability to effect the loss bearing or loss transfer arrangement to IAH in accordance with Shariah.

Although the risk will be borne by the investor, the Bank will ensure the assets portfolio tagged to the investment accounts are being monitored diligently by specific team set up by the Bank. For RA, the selection of financing assets among others will take into considerations the Risk Grade (“RG”), arrears position, tenor of the facility and also collateral value. The return will also be determined based on the investment account holders' risk appetite. For UA, the Bank will invest in low risk investment portfolios which comprise of pool of good quality mortgages accounts.

15.0 Investment Account ("IA") (Cont'd.)

15.1 Restricted Investment Account ("RA")

The RA is an arrangement between the Bank and AmBank to finance a specific business venture whereby AmBank solely provides capital and the business ventures are managed solely by the Bank as the fund manager. AmBank records its exposure in the arrangement as "Investment Account", whereas the Bank records its exposure as "financing and advances".

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.

The RA placement will be limited to a cap agreed and approved by the management and Board of Directors of both the Bank and AmBank. In addition, the identified assets funded by RA shall be based on the criteria that has been agreed and approved by the relevant committees of the Bank and AmBank.

The Bank conducts regular review of the disclosure policies to ensure reliable, relevant and timely information to the Bank to facilitate the evaluation of RA performance and the risks associated with the assets portfolio.

The contract or Aqad encompasses terms and conditions including but not limited to the followings:

i. The description of the shariah concept used the RA arrangement
ii. Placement amount
iii. Tenor in months or days (whichever applicable)
iv. Profit Sharing Ratio ("PSR") for Mudarabah
v. Description of Assets/Investments matched with the funding

In managing the liquidity risk for RA, the redemption conditions imposed on AmBank would significantly mitigate the liquidity risk exposure of the Bank.

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

15.2 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 the Bank 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 to ensure management, development and implementation of operational policies that govern the conduct of IA are observed. On a periodic basis, a Fund Performance Report shall be made available on the Bank’s website, disclosing the performance of the underlying asset, which in turn facilitates the IAH in making their investment decision.

MTIA fund is invested in investment asset with competitive pricing and good asset quality. The investment asset subscribes to the Bank’s internal credit controls as regulated by Bank Negara Malaysia. Investment asset allocated is Shariah compliant retail mortgage portfolio of the Bank. The Bank managed the investment return in a manner consistent with IAH investment objective and the related governing rules and regulations.

Valuation methodology employed is in accordance with sound industry practice and consistent with the Malaysian Financial reporting standards. The Bank monitored the performance of the investment asset on monthly basis. The net return/loss on the MTIA are published on the Bank's website.

MTIA Performance

As at 30 September 2023, balance of MTIA-i stood at RM2.2 million (31 March 2023: RM2.7 million). The performance of MTIA is as described in the table below :

As at 30 September 2023	%
Return on Assets (“ROA”)	4.92
Average Net Distributable Income Attributable to the IAH	2.39
Average Profit Sharing Ratio to the IAH	48.55

As at 31 March 2023	%
Return on Assets (“ROA”)	4.05
Average Net Distributable Income Attributable to the IAH	2.23
Average Profit Sharing Ratio to the IAH	55.01