PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION

The Risk Weighted Capital Adequacy Framework – (Basel II) Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements (Pillar 3) policy documents issued by Bank Negara Malaysia ("BNM") aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The two policy documents are applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and Islamic Financial Service Act 2013 ("IFSA").

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

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

Capital Adequacy

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

The capital adequacy ratios are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020. Pursuant to BNM's Capital Adequacy Framework (Capital Components) and 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. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%;
(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies; and
(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("D-SIB").

The Group and banking group subsidiaries 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) and 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 Group is available on the Group's corporate website at www.ambankgroup.com.

1.1 Basis of Consolidation

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

1.0 SCOPE OF APPLICATION (CONT'D.)

1.1 Basis of Consolidation (cont'd.)

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

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

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

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

2.0 CAPITAL MANAGEMENT

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

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

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

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

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

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

2.0 CAPITAL MANAGEMENT (CONT'D.)

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

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage the impact of the COVID-19 outbreak, which include allowing banking institutions to drawdown on the capital conservation buffer of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions will be given reasonable time to rebuild the buffers after 31 December 2020 and are expected to restore to the minimum regulatory requirement by 30 September 2021.

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

Table 2.1: Capital Adequacy Ratios

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

	31 March 2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Total Capital Ratio	15.650%	16.661%	27.374%	14.481%
After deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Total Capital Ratio	15.650%	16.553%	27.374%	14.481%

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

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios (cont'd.)

Notes:

(1) The capital adequacy ratios of the Group as at 31 March 2020 are computed in accordance to BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's policy document on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

Pursuant to the revised BNM policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios as at 31 March 2021 had been computed applying transitional arrangements on provision for ECL. Under the transitional arrangements, the Group is allowed to add back the amount of loss allowance for non-credit-impaired exposure (i.e. Stage 1 and Stage 2 provisions) to CET1 Capital. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries are as follows:

	31 March 2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Total Capital Ratio	15.378%	15.631%	27.374%	14.135%
After deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Total Capital Ratio	15.378%	15.523%	27.374%	14.135%

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

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

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

(3) Should the Private Placement disclosed in section 3.1(a) completed as at current financial year, the capital adequacy ratios of the Group would be as follows:

	Group
Had the transitional arrangements refer to Note (1) above been applied,	
CET1 Capital Ratio	12.040%
Tier 1 Capital Ratio	12.041%
Total Capital Ratio	15.184%
Had the transitional arrangements refer to Note (1) above not been applied,	
CET1 Capital Ratio	11.132%
Tier 1 Capital Ratio	11.132%
Total Capital Ratio	14.841%

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

	31 March 2021						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On-balance sheet exposures:							
Sovereigns/Central banks		21,587,043	21,587,043	–	–	–	–
Public Sector Entities ("PSEs")		2,932	2,932	586	–	586	47
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		7,727,264	7,727,264	2,123,220	–	2,123,220	169,858
Corporates		60,759,972	58,501,953	47,563,929	–	47,563,929	3,805,114
Regulatory retail		42,599,347	38,547,265	31,517,258	76,493	31,440,765	2,515,261
Residential mortgages		21,142,874	21,137,335	8,170,678	–	8,170,678	653,654
Higher risk assets		706,252	706,242	1,059,364	–	1,059,364	84,749
Other assets		2,248,801	2,248,801	1,786,430	–	1,786,430	142,914
Securitisation exposures		5,655	5,655	2,238	–	2,238	179
Equity exposures		69	69	69	–	69	6
Defaulted exposures		1,245,639	1,234,210	1,337,833	–	1,337,833	107,027
Total for on-balance sheet exposures		**158,025,848**	**151,698,769**	**93,561,605**	**76,493**	**93,485,112**	**7,478,809**
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives		2,135,453	2,000,377	1,332,992	–	1,332,992	106,639
Credit derivatives		11	11	5	–	5	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives		11,669,945	8,465,243	7,405,385	–	7,405,385	592,431
Defaulted exposures		31,204	26,987	37,893	–	37,893	3,031
Total for off-balance sheet exposures		**13,836,613**	**10,492,618**	**8,776,275**	**–**	**8,776,275**	**702,101**
Total on and off-balance sheet exposures		**171,862,461**	**162,191,387**	**102,337,880**	**76,493**	**102,261,387**	**8,180,910**
2. Large exposures risk requirement				878,254	–	878,254	70,260
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	106,827,131	101,038,200		2,116,625	–	2,116,625	169,330
– Specific interest rate risk/rate of return risk	5,857,391	91,764		36,204	–	36,204	2,896
Foreign currency risk	938,769	1,100,582		1,455,670	–	1,455,670	116,454
Equity risk							
– General risk	51,416	20,571		30,845	–	30,845	2,468
– Specific risk	51,416	20,571		64,812	–	64,812	5,185
Option risk	83,720	174,680		30,311	–	30,311	2,425
Total	**113,809,843**	**102,446,368**		**3,734,467**	**–**	**3,734,467**	**298,758**
4. Operational risk				**6,598,842**	**–**	**6,598,842**	**527,907**
5. Total RWA and capital requirements				**113,549,443**	**76,493**	**113,472,950**	**9,077,835**

2.0 CAPITAL MANAGEMENT (CONT'D.)

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

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

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

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE

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

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

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Capital

Issued and paid-up capital that represents the most subordinated claim in liquidation of the financial institution.

The Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020. On 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

(b) Retained Earnings

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

(c) Fair Value Reserve

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

(d) Foreign Currency Translation Reserve/(Deficit)

Foreign exchange gains and losses arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's reporting currency.

(e) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 10.5 of the BNM's Policy Document on Financial Reporting and 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.

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

(f) Cash Flow Hedging Reserve/(Deficit)

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

3.0 CAPITAL STRUCTURE (CONT'D.)

3.1 CET1 Capital (cont'd.)

(g) Other disclosed reserves comprise:

(i) Executive Share Scheme reserve

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

(ii) Treasury shares

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

During the current financial year, the Company bought back 1,507,250 ordinary shares of the Company for a total consideration approximately RM4.6 million (including transaction costs) from the open market at an average price of RM3.04 per share.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

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

Basel III Subordinated Notes

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

On 19 December 2018, AmBank 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 Subordinated Notes issued under this programme and outstanding as at 31 March 2021 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	500
16 October 2017	17 October 2022	10 years Non-Callable 5 years	4.90% per annum	570
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	175
14 March 2018	14 March 2023	10 years Non-Callable 5 years	5.23% per annum	350
15 November 2018	15 November 2023	10 years Non-Callable 5 years	4.98% per annum	1,000
30 March 2021	30 March 2026	10 years Non-Callable 5 years	4.18% per annum	400
Total				**2,995**

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (cont'd.)

Basel III Subordinated Sukuk Murabahah

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

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

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2021 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
30 December 2016	30 December 2021	10 years Non-Callable 5 years	5.50% per annum	10
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	240
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	150
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	500
8 December 2020	8 December 2025	10 years Non-Callable 5 years	3.13% per annum	400
Total				**1,300**

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure

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

	31 March 2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 1	2,590,465	1,387,107	330,000	5,551,557
Retained earnings	5,591,998	2,341,323	35,695	7,876,333
Fair value reserve	457,552	43,972	1,539	691,067
Foreign exchange translation reserve	88,443	–	–	94,992
Treasury shares	–	–	–	(20,970)
Cash flow hedging deficit	(16,949)	–	–	(16,949)
Other remaining disclosed reserves	–	–	–	67,778
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(254,134)	(718)	(1,872)	(257,225)
Deferred tax assets	(95,580)	(62,877)	(5,841)	(157,666)
55% of cumulative gains in fair value reserve	(251,654)	(24,185)	(846)	(380,087)
Cash flow hedging deficit	16,949	–	–	16,949
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,197)	(183)	–	(1,254)
Other CET1 regulatory adjustments specified by BNM	529,759	502,728	–	1,032,479
CET1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,512**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	445
Tier 1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,957**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,759,714
General provisions*	555,618	256,523	3	812,060
Tier 2 Capital	**3,550,618**	**1,556,523**	**3**	**3,571,774**
Total Capital	**12,197,782**	**5,743,690**	**308,869**	**16,431,731**

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

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	69,875,702	33,139,511	839,127	102,337,880
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(796,005)	–	(76,493)
Total Credit RWA	69,875,702	32,343,506	839,127	102,261,387
Market RWA	2,681,941	508,561	15,027	3,734,468
Operational RWA	4,505,648	1,622,712	274,163	6,598,842
Large exposure risk RWA for equity holdings	877,587	–	–	878,254
Total RWA	**77,940,878**	**34,474,779**	**1,128,317**	**113,472,951**

Note 1: On 30 March 2021, AmBank and AmInvestment Bank increased its issued and paid-up ordinary share capital by RM650.0 million and RM130.0 million through the issuance of 66,394,280 and 114,035,088 new ordinary shares respectively. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of AmBank and AmInvestment Bank.

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

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure (cont'd.)

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

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

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

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

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

4.0 GENERAL RISK MANAGEMENT

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

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/enhancements taking into consideration the prevailing or in anticipation of challenges to the environment that the Group operates in.

The Risk Appetite Framework provides portfolio limits/controls for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Technology Risk incorporating, inter alia, limits/controls for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and Operational Risk Management ("ORM") tools.

The Group Risk Direction

The Group's FY2021 – 2024 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) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance ("ESG") Considerations into Our Business and (8) Exploring Digital Bank.

1. The Group aspires to maintain the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The 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 Ratings-Based ("FIRB").
3. The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4. The Group recognises the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective July 2020).
5. The Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
6. The Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
   b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

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

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

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

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

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

Impact of COVID-19

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

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

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

Although some risks within the portfolio has begin emerging post the auto-moratorium period, especially in Retail Banking, the effects of the efforts put in to reach out to customers during the moratorium is seen. The Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

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

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

(1) Reduction of repayment commitments:
   a) Step-up repayment whilst maintaining the tenure; or
   b) Extension of tenure

(2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants and aviation) has also been undertaken.

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.

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are:

- To protect the interests of depositors, creditors and shareholders;
- To ensure the safety and soundness of the Group's capital position; and
- To ensure that the capital base supports the Group's Risk Appetite and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with Group's Risk Appetite as set and approved by the Board.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

The following key principles underpin the ICAAP:

4.1.1 The Group shall maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- The Group Risk Appetite, including the Group's target credit rating category;
- Regulatory Capital requirements;
- The Board and Management's targeted financial performance; and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Board and Senior Management Oversight

The ICAAP must be subject to Board and senior management oversight, forms an integral part of the Group's capital management and decision making processes, and will:

- Ensure all elements of the ICAAP are established and functioning effectively and subject to independent review on a periodic basis; and
- Ensure comprehensive assessment of capital adequacy conducted annually.

4.1.3 Capital Management Framework

The ICAAP shall include an approved Capital Management Framework which contains:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level; and
- Measures to ensure that the Group is in compliance with minimum regulatory standards.

4.1.4 The Group's quality and level of capital shall commensurate with the level of risks exposures. Sufficient capital shall be maintained to:

- Meet minimum prudential requirements (including capital buffer requirements) in all jurisdictions in which the Group operates, and any requirements that may be imposed by the stakeholders of the Group;
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Achieve or maintain the Group's desired long term credit rating.

4.1.5 Capital allocation:

- Capital allocation shall be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

- The Group shall identify and assess the risk materiality on an annual basis;
- Risk assessments shall be conducted at banking subsidiaries' level and incorporate both quantitative and qualitative elements; and
- Methodologies to identify and determine the materiality of current risk types, changes to existing risk types and new risk types must be established.

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

ICAAP Framework

Requirements of the Banks

Principal 1:
- Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels

Principal 3:
- Banks are expected to operate above the minimum regulatory capital ratios and should have the ability to hold capital in excess of the minimum

Requirements of the Regulator

Principal 2:
- Regulators to review and evaluate the Bank's ICAAP strategies
- Regulators to monitor and ensure Bank's compliance with regulatory capital ratios
- Regulators undertake appropriate supervisory action if unsatisfactory results

Principal 4:
- Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight
- Material Risks identified
- Material thresholds
- Group Risk Appetite
- Sufficient Capital Adequacy
- Targeted Financial Performance
- Planned Asset Growth and Strategic business objectives
- Policy/Frameworks

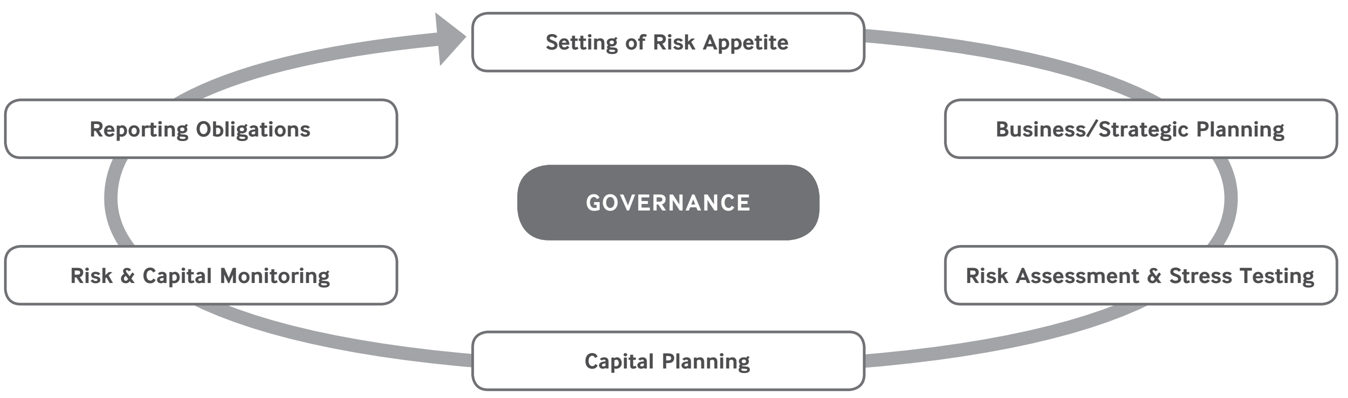
Sound Capital Assessment
- Identification, Measurement and Reporting of Material Risks
- Compliance with minimum regulatory standards
- Clear linkage between risks and capital
- Capital Plan

Comprehensive Risk Assessment and Management Processes
- Credit Risk
- Market Risk
- Operational Risk
- Credit Residual Risk
- Rate Risk in the Banking Book
- Credit Concentration Risk
- Goodwill Risk
- Liquidity and Funding Risk
- Contagion Risk
- Business/Strategic Risk
- Reputation Risk
- Shariah Risk

Monitoring and Reporting
- Level and Trend of Material Risks
- Sensitivity Analysis of key assumptions
- Regulatory Reporting to Board and Senior Management

Internal Control and Review
- Independent reviews of ICAAP (internal audit)
- Ongoing compliance monitoring
- Stress Testing
- Documented processes/frameworks

Overview of ICAAP process and setting Internal Capital Targets



5.0 CREDIT RISK MANAGEMENT

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assesment criteria and acceptance criteria (program lending)
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem 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 lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (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.

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 banking subsidiaries' credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the banking subsidiaries' credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

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

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

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

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

- Concentration threshold/review triggers:
  – single counterparty credit exposure;
  – industry sector exposure; and
  – country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing;
- Non-Retail Credit Policy ("NRCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing;
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

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 Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). Portfolio credit risk is reported to the relevant management and board committees.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/financing portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policies or guidelines.

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

5.1 Impairment

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

a. the Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Group;
b. the obligor has breached its contractual payment obligations and past due for more than 90 days; and
c. other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay.

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 Group Provisioning Methodology

The Group's provisioning methodology complies with MFRS 9 where the Group recognises 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 ECL.

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

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

i. Stage 1: For performing financial instruments which credit risk had not been significantly increased since initial recognition.
ii. Stage 2: For underperforming financial instruments which credit risk had significantly increased since initial recognition.
iii. Stage 3: For financial instruments which are credit impaired.

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

Changes in credit quality since initial recognition

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

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

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

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

	31 March 2021														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-balance sheet exposures															
Sovereigns/ Central banks	–	–	–	–	–	–	–	–	21,587,043	–	–	–	–	–	21,587,043
PSEs	–	–	–	–	–	–	–	–	2,932	–	–	–	–	–	2,932
Banks, DFIs and MDBs	–	–	–	–	–	–	–	7,727,264	–	–	–	–	–	–	7,727,264
Corporates	2,535,683	2,309,201	13,763,659	2,541,039	6,908,322	8,292,639	4,647,714	4,583,161	–	8,324,547	2,956,875	3,116,631	778,182	2,319	60,759,972
Regulatory retail	63,291	19,628	734,965	85,092	482,200	1,270,026	247,058	13,469	–	127,390	494,532	94,504	38,967,191	1	42,599,347
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	21,142,874	–	21,142,874
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	19,422	686,830	706,252
Other assets	–	177	–	–	–	–	–	28,234	170,000	36	101,441	–	114,894	1,834,019	2,248,801
Securitisation exposures	–	–	–	–	–	–	–	5,655	–	–	–	–	–	–	5,655
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	69	69
Defaulted exposures	77,169	5,941	118,823	1,328	41,561	96,654	51,634	1,121	–	303,972	28,554	4,569	514,313	–	1,245,639
Total for on-balance sheet exposures	**2,676,143**	**2,334,947**	**14,617,447**	**2,627,459**	**7,432,083**	**9,659,319**	**4,946,406**	**12,358,904**	**21,759,975**	**8,755,945**	**3,581,402**	**3,215,704**	**61,536,876**	**2,523,238**	**158,025,848**
Off-balance sheet exposures															
OTC derivatives	23,845	22,182	345,068	265	1,573	7,348	305,790	1,244,028	38,965	2,276	123,153	514	20,446	–	2,135,453
Credit derivatives	–	–	–	–	–	–	–	11	–	–	–	–	–	–	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	309,460	335,806	1,919,414	307,742	2,731,632	1,116,041	383,274	1,331,612	–	805,378	180,441	156,932	2,091,652	561	11,669,945
Defaulted exposures	–	68	6,821	–	5,222	712	68	–	–	5,627	81	–	12,605	–	31,204
Total for off-balance sheet exposures	**333,305**	**358,056**	**2,271,303**	**308,007**	**2,738,427**	**1,124,101**	**689,132**	**2,575,651**	**38,965**	**813,281**	**303,675**	**157,446**	**2,124,703**	**561**	**13,836,613**
Total on and off-balance sheet exposures	**3,009,448**	**2,693,003**	**16,888,750**	**2,935,466**	**10,170,510**	**10,783,420**	**5,635,538**	**14,934,555**	**21,798,940**	**9,569,226**	**3,885,077**	**3,373,150**	**63,661,579**	**2,523,799**	**171,862,461**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

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

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2021													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	79,621	37,955	194,000	3,521	92,315	202,228	59,268	1,325	312,785	41,736	6,548	739,018	–	1,770,320
Past due loans/financing	180,160	32,663	129,482	6,204	171,423	208,458	129,163	297	50,423	62,107	13,869	3,244,722	–	4,228,971
Allowances for Expected Credit Losses	12,660	36,780	253,062	6,626	89,340	154,803	41,660	30,802	39,480	25,822	5,537	1,578,773	4,775	2,280,120
Charges/(Writeback) for individual allowance	1,504	33,511	16,657	2,033	10,828	84,640	(13,196)	–	20,132	4,550	1,425	(3,806)	–	158,278
Write-offs against individual allowance and other movements	–	15,579	9,104	–	1,296	5,866	–	–	36,901	5,779	3,466	–	–	77,991

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

* *Refer to Note 1 in Table 5.1*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures

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

	31 March 2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	21,587,043	–	21,587,043
PSEs	2,932	–	2,932
Banks, DFIs and MDBs	4,964,396	2,762,868	7,727,264
Corporates	60,022,306	737,666	60,759,972
Regulatory retail	42,588,574	10,773	42,599,347
Residential mortgages	21,142,874	–	21,142,874
Higher risk assets	705,718	534	706,252
Other assets	2,142,348	106,453	2,248,801
Securitisation exposures	5,655	–	5,655
Equity exposures	69	–	69
Defaulted exposures	1,245,595	44	1,245,639
Total for on-balance sheet exposures	**154,407,510**	**3,618,338**	**158,025,848**
Off-balance sheet exposures			
OTC derivatives	1,618,305	517,148	2,135,453
Credit derivatives	–	11	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	11,614,970	54,975	11,669,945
Defaulted exposures	31,204	–	31,204
Total for off-balance sheet exposures	**13,264,479**	**572,134**	**13,836,613**
Total on and off-balance sheet exposures	**167,671,989**	**4,190,472**	**171,862,461**

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,739,359	30,961	1,770,320
Past due loans/financing	4,198,010	30,961	4,228,971
Allowances for Expected Credit Losses	2,248,100	32,020	2,280,120

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

* *Refer to Note 1 in Table 5.1*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	31 March 2021								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	>5 years RM'000	No maturity specified RM'000	Total RM'000
On-balance sheet exposures									
Sovereigns/Central banks	13,567,107	–	149,949	895,401	903,230	2,398,155	3,673,201	–	21,587,043
PSEs	–	–	–	–	–	2,281	651	–	2,932
Banks, DFIs and MDBs	5,477,030	294,746	14,455	40,116	1,067,675	212,698	620,544	–	7,727,264
Corporates	17,212,364	6,059,923	3,553,142	8,628,297	4,035,700	6,248,659	15,021,887	–	60,759,972
Regulatory retail	176,461	122,336	201,034	2,450,270	2,232,366	4,622,568	32,794,312	–	42,599,347
Residential mortgages	1,184	460	668	3,954	51,941	140,222	20,944,445	–	21,142,874
Higher risk assets	6	–	282	7	425	776	17,926	686,830	706,252
Other assets	1,191,189	–	–	–	–	–	–	1,057,612	2,248,801
Securitisation exposures	–	–	–	–	–	–	5,655	–	5,655
Equity exposures	–	–	–	–	–	–	–	69	69
Defaulted exposures	391,805	4,486	10,004	114,819	45,139	81,438	597,948	–	1,245,639
Total for on-balance sheet exposures	**38,017,146**	**6,481,951**	**3,929,534**	**12,132,864**	**8,336,476**	**13,706,797**	**73,676,569**	**1,744,511**	**158,025,848**
Off-balance sheet exposures									
OTC derivatives	71,989	149,930	111,347	376,770	147,511	395,055	882,851	–	2,135,453
Credit derivatives	–	–	11	–	–	–	–	–	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	1,706,736	1,255,252	964,097	6,789,507	2,961	53,536	897,856	–	11,669,945
Defaulted exposures	4,105	5,334	1,376	10,162	554	324	9,349	–	31,204
Total for off-balance sheet exposures	**1,782,830**	**1,410,516**	**1,076,831**	**7,176,439**	**151,026**	**448,915**	**1,790,056**	**–**	**13,836,613**
Total on and off-balance sheet exposures	**39,799,976**	**7,892,467**	**5,006,365**	**19,309,303**	**8,487,502**	**14,155,712**	**75,466,625**	**1,744,511**	**171,862,461**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

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

** Refer to Note 1 in Table 5.1*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

The disclosure on reconciliation of loan loss allowances can be found in Note 13 of the annual financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

FINANCIAL YEAR ENDED 31 MARCH 2021 ("FY2021")	(Charge off)/ Recoveries RM'000
Bad debts written off during the financial year	(44,013)
Bad debt recoveries during the financial year	395,627

FINANCIAL YEAR ENDED 31 MARCH 2020 ("FY2020")	(Charge off)/ Recoveries RM'000
Bad debts written off during the financial year	(51,291)
Bad debt recoveries during the financial year	395,072

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH

The Group uses external ratings for credit exposures to assign risk-weights under the Standardised Approach where relevant. 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 STANDARDISED APPROACH (CONT'D.)

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

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

31 March 2021													
	Exposures after Netting and Credit Risk Mitigation												
Risk Weights	Sovereigns and Central Banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	21,587,043	–	357,002	–	6,025,599	61	–	–	424,967	–	–	28,394,672	–
20%	–	2,932	5,865,648	–	6,758,473	1,288,291	–	–	46,756	5,565	–	13,967,665	2,793,533
35%	–	–	–	–	–	–	16,034,687	–	–	–	–	16,034,687	5,612,140
50%	–	–	2,650,303	–	238,423	14,771	5,263,517	–	–	–	–	8,167,014	4,083,507
75%	–	–	–	–	–	25,829,707	–	–	–	–	–	25,829,707	19,372,280
100%	–	–	–	8,649	52,982,527	13,622,456	51,288	–	1,777,078	–	69	68,442,067	68,442,067
150%	–	–	–	–	535,409	96,276	–	723,800	–	–	–	1,355,485	2,033,228
1250%	–	–	–	–	–	–	–	–	–	90	–	90	1,125
Total	**21,587,043**	**2,932**	**8,872,953**	**8,649**	**66,540,431**	**40,851,562**	**21,349,492**	**723,800**	**2,248,801**	**5,655**	**69**	**162,191,387**	**102,337,880**

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

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

	31 March 2021					
	Ratings of Corporate by Approved ECAIs					
Group Exposure class	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	2,932	–	–	–	–	2,932
Insurance companies, Securities firms and Fund managers	8,649	–	–	–	–	8,649
Corporates	71,007,917	4,295,593	21,169	74,340	–	66,616,815
Total	**71,019,498**	**4,295,593**	**21,169**	**74,340**	**–**	**66,628,396**

	31 March 2020					
	Ratings of Corporate by Approved ECAIs					
Group Exposure class	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	3,439	–	–	–	–	3,439
Insurance companies, Securities firms and Fund managers	25	–	–	–	–	25
Corporates	74,702,866	5,277,202	1,799,275	–	–	67,626,389
Total	**74,706,330**	**5,277,202**	**1,799,275**	**–**	**–**	**67,629,853**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

Group Exposure class	31 March 2021					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's Fitch RM'000	Aaa to Aa3 AAA to AA- RM'000	A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- RM'000	Unrated Unrated RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	21,587,043	–	–	21,587,043	–	–
Total	**21,587,043**	**–**	**–**	**21,587,043**	**–**	**–**

Group Exposure class	31 March 2020					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's Fitch RM'000	Aaa to Aa3 AAA to AA- RM'000	A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- RM'000	Unrated Unrated RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	28,044,753	–	27,974,397	70,356	–	–
Total	**28,044,753**	**–**	**27,974,397**	**70,356**	**–**	**–**

Group Exposure class	31 March 2021					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB1 to B3 BB+ to B- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	9,757,963	4,175,133	619,975	872,926	–	4,089,929
Total	**9,757,963**	**4,175,133**	**619,975**	**872,926**	**–**	**4,089,929**

Group Exposure class	31 March 2020					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB1 to B3 BB+ to B- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	7,280,558	3,317,292	623,173	322,084	464	3,017,545
Total	**7,280,558**	**3,317,292**	**623,173**	**322,084**	**464**	**3,017,545**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.3: Securitisation according to Ratings by ECAIs

	31 March 2021			
	Ratings of Securitisation by Approved ECAIs			
Group Exposure class	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures				
Securitisation exposures	5,655	5,565	–	90
Total	**5,655**	**5,565**	**–**	**90**

	31 March 2020			
	Ratings of Securitisation by Approved ECAIs			
Group Exposure class	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures				
Securitisation exposures	10,780	10,690	–	90
Total	**10,780**	**10,690**	**–**	**90**

7.0 CREDIT RISK MITIGATION

Collateral taken by the Group

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

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

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

Processes for collateral management

The concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. Where a counterparty's corporate guarantor is rated better than the counterparty, the credit risk rating of the counterparty shall be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions.

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

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the tenure of the loan/financing, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals to enable pre-emptive actions to protect the quality or recoverability of loan/financing assets.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation

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

	31 March 2021		
Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On-balance sheet exposures			
Sovereigns/Central banks	21,587,043	–	–
PSEs	2,932	–	–
Banks, DFIs And MDBs	7,727,264	–	–
Corporates	60,759,972	938,851	4,575,143
Regulatory retail	42,599,347	1,254,619	5,283,230
Residential mortgages	21,142,874	–	31,004
Higher risk assets	706,252	–	10
Other assets	2,248,801	–	–
Securitisation exposures	5,655	–	–
Equity exposures	69	–	–
Defaulted exposures	1,245,639	44,184	106,277
Total for on-balance sheet exposures	**158,025,848**	**2,237,654**	**9,995,664**
Off-balance sheet exposures			
OTC derivatives	2,135,453	–	398,032
Credit derivatives	11	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	11,669,945	343,246	3,931,779
Defaulted exposures	31,204	–	4,562
Total for off-balance sheet exposures	**13,836,613**	**343,246**	**4,334,373**
Total on and off-balance sheet exposures	**171,862,461**	**2,580,900**	**14,330,037**

7.0 CREDIT RISK MITIGATION (CONT'D.)

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

The total exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows: (cont'd.)

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

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

8.1 Off-Balance Sheet exposures

The Group's off-balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. direct credit substitute, guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short-term self-liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivative Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off-balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the GRAF.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the marked-to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confined to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the GRAF.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off-Balance Sheet Exposures

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

	31 March 2021			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,113,258		1,958,624	1,604,866
Transaction related contingent Items	4,303,726		2,196,695	1,738,216
Short-term Self-liquidating Trade-related contingencies	694,409		114,338	104,153
Forward Asset Purchases	894,498		73,825	18,916
Obligations under on-going underwriting agreements	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	825,944		837,672	5,500
Foreign exchange related contracts				
One year or less	27,247,609	167,058	335,234	209,651
Over one year to five years	4,235,120	150,928	463,331	391,396
Over five years	551,219	2,124	68,888	60,048
Interest/Profit rate related contracts				
One year or less	365,550	326	801	465
Over one year to five years	2,937,669	33,400	75,199	34,260
Over five years	1,833,937	86,232	261,535	197,964
Equity and commodity related contracts				
One year or less	1,153,901	15,623	70,177	35,362
Over one year to five years	14,350	410	446	89
Other Commodity Contracts				
One year or less	280,489	6,600	3,700	2,954
Over one year to five years	140,664	4,812	9,031	620
Credit Derivative Contracts				
One year or less	347,950	1,347	11	5
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	64,992,843	822,330	847,111	400,183
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	17,722,506		944,566	746,194
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,018,731		4,545,182	2,457,905
Unutilised credit card lines	5,151,236		1,030,247	767,528
Total	**137,825,609**	**1,291,190**	**13,836,613**	**8,776,275**

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

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

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

	31 March 2020			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,553,489		2,371,427	1,989,389
Transaction related contingent Items	4,286,704		2,234,294	1,748,743
Short-term Self-liquidating Trade-related contingencies	723,120		144,624	129,913
Forward Asset Purchases	1,989,103		69,188	67,538
Obligations under an on-going underwriting agreements	20,000		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,501,681		6,533,889	1,694
Foreign exchange related contracts				
One year or less	16,307,370	187,312	269,176	196,830
Over one year to five years	4,679,672	198,920	482,340	423,809
Over five years	472,438	16,062	59,887	59,887
Interest/Profit rate related contracts				
One year or less	752,863	1,517	5,031	2,396
Over one year to five years	2,591,736	35,575	76,149	24,594
Over five years	1,658,110	115,401	300,409	252,293
Equity and commodity related contracts				
One year or less	773,980	44,655	81,139	48,810
Other Commodity Contracts				
One year or less	863,875	161,629	231,227	213,780
Over one year to five years	205,257	24,838	27,688	20,020
Credit Derivative Contracts				
Over one year to five years	356,069	1,954	12	6
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	71,183,679	1,289,418	1,190,777	582,098
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,873,188		2,782,713	1,831,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,056,411		3,506,910	2,107,365
Unutilised credit card lines	5,127,590		1,025,518	764,476
Total	**139,976,335**	**2,077,281**	**21,392,398**	**10,465,501**

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

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

Group		31 March 2021		31 March 2020	
		Sell Leg	Buy Leg*	Sell Leg	Buy Leg*
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	197,950	150,000	206,069	150,000

* *Out of the total notional exposure for protection bought as at 31 March 2021, RM150,000,000 (31 March 2020: RM150,000,000) has no counterparty credit risk exposure because it is on a fully funded basis.*

9.0 SECURITISATION

9.1 Objectives, roles and involvement

AMMB Banking Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its structured finance/debt capital markets services for its clients. The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management; and
- earn other fees for products and services provided, e.g. liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities – the Group may purchase bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.0 SECURITISATION (CONT'D.)

9.2 Regulatory capital approaches used in the Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.3 Governance

The Group's Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.4 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 days past due, default rates, prepayment rates, etc, to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.5 Special Purpose Vehicle ("SPV") used in securitisation exercises

Third party exposures that have been securitised via SPVs include civil servant loans/financing, personal loans/financing and government-linked companies' staff housing loans.

9.6 Accounting Policies for Securitisation

The Group has sponsored SPVs involving assets of the Group. Such SPVs are consolidated where the Group has control as determined in accordance with MFRS 10 *Consolidated Financial Statements*.

Assets that have been transferred wholly or proportionately to an unconsolidated entity remain on the Group's statement of financial position, with a liability recognised for the proceeds received, unless:

(a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or

(b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

9.7 Use of external rating agencies

The Group uses the services of both RAM and MARC and where applicable, international rating agency for securitisation transactions purposes.

9.0 SECURITISATION (CONT'D.)

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

Underlying Asset	31 March 2021 Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
Traditional Securitisation Originated by the Group				
Banking Book				
Mortgage loans	1,036,853	–	1,028,904	–
Total Traditional Securitisation	**1,036,853**	**–**	**1,028,904**	**–**

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

The Group did not have any exposures under synthetic securitisation as at 31 March 2021 and 31 March 2020.

9.0 SECURITISATION (CONT'D.)

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

Group Securitisation Exposures by Exposure Type	31 March 2021						
	Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives			Risk Weighted Assets RM'000
				20% RM'000	50% RM'000	1250% RM'000	
Traditional Securitisation							
Originated by Third Party							
On-Balance Sheet Exposures	5,565	5,565	–	5,565	–	–	1,113
Originated by the Group							
On-Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**5,655**	**5,655**	**–**	**5,565**	**–**	**90**	**2,238**

Group Securitisation Exposures by Exposure Type	31 March 2020						
	Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Appplicable Risk Weights Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives			Risk Weighted Assets RM'000
				20% RM'000	50% RM'000	1250% RM'000	
Traditional Securitisation							
Originated by Third Party							
On-Balance Sheet Exposures	10,690	10,690	–	10,690	–	–	2,138
Originated by the Group							
On-Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**10,780**	**10,780**	**–**	**10,690**	**–**	**90**	**3,263**

There is no securitisation exposure under trading book as at 31 March 2021 and 31 March 2020.

10.0 OPERATIONAL RISK

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Control Testing
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk (Please refer to section 14 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non-financial risk or return attributes in order to support the achievement of the Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

- Fraud (internal and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness and capital allocation, ORM training and reporting of operational risk triggers, breaches, Key Control Testing ("KCT") exceptions, operational loss incidents to GMRC, RMC and the Board.

- GIAD acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

PILLAR 3 DISCLOSURE

10.0 OPERATIONAL RISK (CONT'D.)

Group Operational Risk maintains close working relationships with all Business and Functional Lines, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The ORM process contains the following ORM tools:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- The KCT is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.
- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.
- Scenario analysis is a forward-looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	• Business Impact Analysis ("BIA") • Risk Assessment
Control/Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") plan
Monitoring/Review	• BC plan testing and exercise • Review of BC Plan • BC site readiness and maintenance

The BCM function is an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and the identification of critical functions through BIA exercise, for the development of recovery strategy. BCM builds the resilience and recovery capability to safeguard the interest of the Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team units to ensure that the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace arrangements and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an integral part of the process to heighten BCM awareness and inculcate a business resiliency culture.

10.0 OPERATIONAL RISK (CONT'D.)

10.2 Cyber Risk Management

Cybersecurity risks remain a persistent threat for the financial industry. Driven by the constantly evolving nature and sophistication of cyber threats and attack vectors, this calls for increased vigilance, readiness and ability to respond to upcoming threats. The resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information.

The Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defense mechanisms and uplift governance processes alongside the Group's cyber risk management strategy – to identify threats in a timely manner, and build or enhance the right defenses to mitigate risks. Creating a security mindset for employees and customers via its Cyber Security awareness programs also remains a priority.

The Group has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

10.3 Legal Risk

In all jurisdictions that the Group conducts its business, there could be potential legal risks arising from breaches of applicable laws, unenforceability of contracts, lawsuits, adverse judgement, failure to respond to changes in regulatory requirements and failure to protect assets (including intellectual properties) owned by the Group which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by Group Management Risk Committee/Group Management Committee ("GMRC/GMC"), upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks are appropriately managed.

10.4 Regulatory Compliance Risk

The Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

The Group Chief Compliance Officer has a direct reporting line to the Risk Management Committee ("RMC") of the Board. A governance structure is in place for escalation and reporting of compliance risks and issues through monthly compliance reports to the RMC and Board.

The compliance framework details the roles and responsibilities for compliance with regulatory guidelines and requirements. The responsible parties are accountable for the management of compliance risks associated with the Group's processes and increasing awareness on the role of every employee to be compliant and safeguard the Group's reputation against any potential legal violations and/or regulatory non-compliance. The Senior Management team is responsible for communicating the compliance framework to all employees, as well as implementing appropriate actions for non-compliances.

The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. The Group believes in and embraces a strong compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board of Directors ("BOD") and Senior Management lead by example. The Group has zero tolerance for any form of bribery or corruption.

The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

11.0 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibilities of Investment Banking and Markets Risk ("IBMR").

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.

Identification	• Identify market risks within existing and new products • Review market-related information such as market trends and economic data	
Assessment/ Measurement	• Value-at-Risk ("VaR") • Loss Limit • Historical Stress Loss ("HSL")	• Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/Mitigation	• VaR Limit • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/ Vega/Theta) • Concentration Limits	• Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting	

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss Limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls (e.g. Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

IBMR independently monitors risk exposures against limits on a daily basis. Portfolio market risk positions are independently monitored and reported by IBMR to GMRC, RMC and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk ("NTMR")

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

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 limits • EaR limits
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of the Group's capital.

The Board's oversight of IRR/RORBB is supported by the GALCO and GMRC. GMRC is responsible for the alignment of Group-wide risk appetite. GALCO reviews strategies to ensure a comfortable level of IRR/RORBB is maintained, taking into consideration the Group's business strategies and is responsible for overseeing the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, IRR/RORBB positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

The Group measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk ("NTMR") (cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

The Group's strategy seeks to optimise exposure to IRR/RORBB within Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using various product and funding strategies, supported by interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/ Profit Rate Risk Framework.

IRR/RORBB exposures are monitored by IBMR and positions reported to the GALCO, GMRC, RMC and Board.

Table 11.2: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

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

	31 March 2021	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	132,893	(132,893)
Impact on Equity	(863,697)	947,864

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

12.0 EQUITIES (BANKING BOOK POSITIONS)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are equity investments that are taken for strategic and other objectives. Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Upon adoption of MFRS 9, management has elected at initial recognition to irrevocably designate certain equity investment not held for trading at FVTPL and FVOCI. When this election is used, fair value gains and losses for equity investment at FVTPL are recognised in profit or loss and equity investment at FVOCI are recognised in other comprehensive income.

Table 12.1: Equity investments and capital requirement

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

	31 March 2021 RM'000	31 March 2020 RM'000
Non-traded equity investments		
Value of quoted (publicly traded) equities	1,173	1,122
Value of unquoted (privately held) equities	686,830	593,585
Total	**688,003**	**594,707**
Net realised and unrealised gains		
Cumulative realised gains from sales and liquidations	–	–
Total unrealised gains	93,578	33,095
Total	**93,578**	**33,095**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	1,173	1,122
Equity investments subject to a 150% risk weight	1,030,245	890,378
Total	**1,031,418**	**891,500**
Total minimum capital requirement (8%)	**82,513**	**71,320**

13.0 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

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

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Depositor Concentration Ratios • Other Detailed Controls
Control/Mitigation	• LCR Limits • NSFR Limits/Triggers • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned to the LCR policy and NSFR policy issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board provides the liquidity risk management oversight including setting and reviewing the liquidity risk appetite and approves the Group's liquidity management strategy while GALCO is the core management committee established by the Board to oversee the overall liquidity management of the Group.

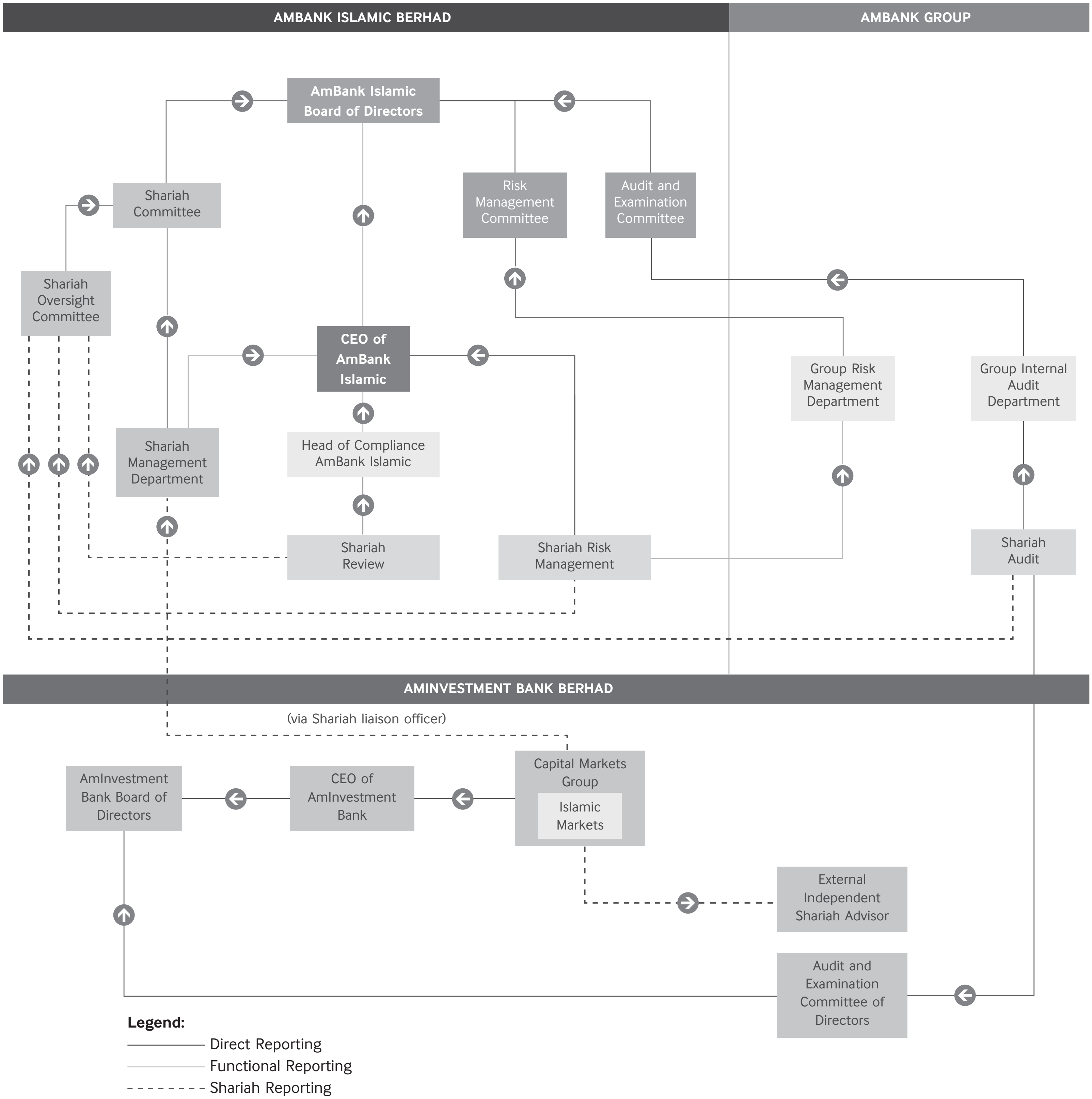
The Group has put in place a Contingency Funding Plan which is established by Capital and Balance Sheet Management ("CBSM") to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Various liquidity measurements have been put in place to support the broader strategic objectives of the Group and amongst others include the BNM LCR, BNM NSFR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the Group Treasury and Markets ("GTM") and CBSM are responsible to ensure the controls and limits are within the thresholds.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans/financing to customers. They are monitored using the loans/ financing to available fund ratio, which compares loans/financing and advances to customers as a percentage of the Group's total available funds.

To measure the quality of the Group's funding sources, the composition of core funds indicators is monitored on a regular basis. The core funds is defined as deposits from retail and small business customers, operational deposits, non-financial institution deposits more than 1 year and debt instruments/long term borrowings more than 1 year.

14.0 SHARIAH GOVERNANCE STRUCTURE



14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic

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

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

Board of Directors

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

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

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

Shariah Committee

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

Shariah Oversight Committee

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

Senior Management

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

Shariah Management

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

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic (cont'd.)

Shariah Risk Management

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

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

Shariah Review

Shariah Review section is accountable to AmBank Islamic's Head of Compliance with Shariah reporting to the Shariah Oversight Committee. Shariah review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of AmBank Islamic with Shariah requirements.

Shariah Audit

Shariah Audit section is accountable to the AEC with Shariah reporting to Shariah Oversight Committee. A designated team within the Group Internal Audit Department, which is responsible to conduct independent assessment on the quality and effectiveness of AmBank Islamic's internal control, risk management systems, governance processes as well as the overall compliance of AmBank Islamic's operations, business, affairs and activities with Shariah. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

The Group adopts a leverage model whereby, AmInvestment Bank through its Islamic Window i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. 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.

AmInvestment Bank

AmInvestment Bank's Capital Markets Group covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. For such Islamic transactions, AmInvestment Bank complies with guidelines issued by Securities Commission Malaysia ("SC").

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance. 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.

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

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

Under Shariah Risk Management, 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, AmInvestmenrt Bank's Compliance and the appointed Shariah Adviser (Shariah Committee and/or independent Shariah adviser), where applicable; 3rd – Group Internal Audit Department.

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.

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmInvestment Bank (cont'd.)

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.

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 Liaison Officer, IM

As per the leveraging model, AmInvestment Bank via IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah 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 lines of business ("LOBs") under the Group with regards to Islamic capital market products and services.

Shariah Non-Compliant Incidents and Income

AmBank Islamic

For the financial year ended 31 March 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee.

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the AmBank Islamic's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by AmBank Islamic.

AmBank Islamic has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

Investment Account ("IA")

The Group via AmBank Islamic offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RA") which refers to an IA where the Investment Account Holder ("IAH") provides a specific investment to AmBank Islamic and Unrestricted Investment Account ("UA") which refers to an IA where the customer provides AmBank Islamic with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RA and UA are based on Shariah concept of Mudarabah. Currently, the RA arrangement undertaken by AmBank Islamic is with a subsidiary of the Group and is eliminated upon consolidation.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA") (CONT'D.)

Investment Account ("IA") (cont'd.)

Mudarabah means a profit sharing contract between the IAH as the fund provider and AmBank Islamic as the fund manager in which the IAH provides capital to be managed by AmBank Islamic. Any profit generated from the capital is shared between the IAH and AmBank Islamic 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 AmBank Islamic'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 AmBank Islamic, AmBank Islamic is allowed to recognise the placement of Investment accounts for the purpose of:

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

(b) Credit and market risk weighted assets funded by RA and UA are allowed to be excluded from AmBank Islamic's calculation of RWCR. Hence, allowing AmBank Islamic to enhance its financing capacity.

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

Although the risk will be borne by the investor, AmBank Islamic will ensure the assets portfolio tagged to the investment accounts are being monitored diligently by specific team set up by AmBank Islamic. 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, AmBank Islamic will invest in low risk investment portfolio comprised of pool of good quality mortgages accounts which are limited to only performing accounts.

Restricted Investment Account ("RA")

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

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

The contract or Aqad encompassed 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 AmBank Islamic.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA") (CONT'D.)

Mudarabah Term Investment Account ("MTIA")

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

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

AmBank Islamic had established proper governance to facilitate effective monitoring and control of the overall management and conduct of the investment account. A dedicated unit was established in ensuring management, development and implementation of operational policies that govern the conduct of IA are observed. On a periodical basis, a Fund Performance Report shall be made available in AmBank Islamic's website disclosing the performance of the underlying assets 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 AmBank Islamic's internal credit controls as regulated by Bank Negara Malaysia. Investment asset allocated is Shariah compliant retail mortgage portfolio of AmBank Islamic. AmBank Islamic 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. AmBank Islamic monitored the performance of the Investment asset on monthly basis. The net return/loss on the MTIA are displayed at our branches and published on AmBank Islamic website.

MTIA Performance

As at 31 March 2021, balance of MTIA stood at RM76.5 million (31 March 2020: RM192.6 million). The performance of MTIA is as described in the table below:

As at 31 March 2021	%
Return on Assets ("ROA")	4.08
Average Net Distributable Income Attributable to IAH	4.71
Average Profit Sharing Ratio to IAH	57.98

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

ANALYSIS OF SHAREHOLDINGS

As at 30 June 2021

Total Number of Issued Shares	: 3,314,184,844 Ordinary Shares (Include Treasury Shares)
Total Number of Shares Retained as Treasury Shares	: 8,193,950
Class of Share	: Ordinary Share
Voting Rights	: 1 vote per ordinary share on a poll
Number of Shareholders	: 35,794

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares*	% of Shareholdings*
Less than 100	2,078	5.81	50,465	0.00
100 – 1,000	9,215	25.74	6,531,468	0.20
1,001 – 10,000	18,442	51.52	77,170,548	2.33
10,001 – 100,000	5,101	14.25	149,334,090	4.52
100,001 to less than 5% of the issued shares	956	2.67	2,052,577,103	62.09
5% and above of issued shares	2	0.01	1,020,327,220	30.86
Total	**35,794**	**100.00**	**3,305,990,894**	**100.00**

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
Substantial Shareholder	Direct Interest	%*	Indirect Interest	%*
Tan Sri Azman Hashim	–	–	391,069,003[1]	11.83
ANZ Funds Pty Limited	716,841,483	21.68	–	–
Australia and New Zealand Banking Group Limited	–	–	716,841,483[2]	21.68
Amcorp Group Berhad	391,069,003	11.83	–	–
Clear Goal Sdn Bhd	–	–	391,069,003[1]	11.83
Employees Provident Funds Board	322,566,937	9.76	–	–

Notes:

1 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through Amcorp Group Berhad.*

2 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through ANZ Funds Pty Limited.*

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY AND ITS SUBSIDIARIES BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	No. of Shares			
Names	Direct Interest	%*	Indirect Interest	%*
Directors				
Tan Sri Azman Hashim	–	–	391,069,003[1]	11.83
Graham Kennedy Hodges	–	–	–	–
Robert William Goudswaard	–	–	–	–
Soo Kim Wai	–	–	–	–
Voon Seng Chuan	–	–	–	–
Seow Yoo Lin	–	–	–	–
Farina binti Farikhullah Khan	–	–	–	–
Hong Kean Yong	–	–	–	–
Dato' Kong Sooi Lin	–	–	–	–
Group Chief Executive Officer[2]				
Dato' Sulaiman bin Mohd Tahir	317,600	0.01	–	–

Notes:

1 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through Amcorp Group Berhad.*

Tan Sri Azman Hashim, by virtue of his interest in the shares of AMMB Holdings Berhad (AMMB), is also deemed to have an interest in the shares of the subsidiaries of AMMB to the extent that AMMB has an interest.

2 *The Group Chief Executive Officer is not a director of the Company.*

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

LIST OF 30 LARGEST SHAREHOLDERS

30 LARGEST SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Names	No. of Shares	%*
1.	ANZ Funds Pty Limited	716,841,483	21.68
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	303,485,737	9.18
3.	Amcorp Group Berhad	129,767,302	3.93
4.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (EDG)	127,620,700	3.86
5.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (AGB CBC2)	118,600,000	3.59
6.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	116,690,016	3.53
7.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	85,174,200	2.58
8.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	79,656,000	2.41
9.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Merit Alpha Sdn. Bhd.	70,000,000	2.12
10.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	47,774,600	1.45
11.	Kumpulan Wang Persaraan (Diperbadankan)	46,830,300	1.42
12.	Amanahraya Trustees Berhad Amanah Saham Malaysia	43,601,200	1.32
13.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for State Street Bank & Trust Company (WEST CLT OD67)	41,404,012	1.25
14.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	38,283,400	1.16
15.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu	36,700,000	1.11
16.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	27,598,345	0.83
17.	Maybank Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Areca Dynamic Growth Fund 6.0 (429002)	27,500,000	0.83
18.	Pertubuhan Keselamatan Sosial	26,393,330	0.80
19.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	26,064,000	0.79
20.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	24,620,620	0.74

No.	Names	No. of Shares	%*
21.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	24,484,400	0.74
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	23,559,000	0.71
23.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd.	23,469,307	0.71
24.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Multi-Asset Fund	22,000,000	0.67
25.	AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Tan Boon Seng (7928-1102)	17,545,500	0.53
26.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	14,631,200	0.44
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (FI 17)	13,326,100	0.40
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)	12,458,000	0.38
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Eastspring Investments-Asian Local Bond Fund	12,414,900	0.38
30.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	12,381,562	0.37

Note:
* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

LIST OF LANDED PROPERTIES

As at 31 March 2021

Properties owned by the Group are as follows:

Location	Description	Age of Property	Tenure	Net Book Value (RM'000)	Built-Up Area (Sq. Ft.)	Date of Acquisition
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya	One unit of thirteen-storey office building for operations	30 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	12,234.67	76,120	13 Oct 2000
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit of twelve-storey office building for operations and branch premises	35 years	Freehold	11,879.49	55,700	4 Nov 1991
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	22 years	Leasehold Term: 855 years Expiry: 27 Jul 2792	8,102.65	51,906	31 Dec 1994
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shoplots for rental purposes	22 years	Freehold	2,612.49	13,504	23 Apr 1998
85, 87, 89, 107, 109 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shoplots for rental purposes	31 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	1,804.26	30,528	9 Mar 1992
35 & 36 – Phase 1 Prai Business Point 322 Prai Perdana 12000 Seberang Prai	Two units of vacant three-storey shopoffices	21 years	Freehold	1,059.72	10,307	28 Nov 1998
22 & 23 Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoplots for branch premises	36 years	Freehold	851.57	22,000	15 Mar 1990
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double-storey shoplots for branch premises	29 years	Freehold	389.57	7,200	28 Nov 1996
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan	Two units of two-storey commercial complexes for branch premises	35 years	Leasehold Term: 40 years Expiry: May 2017	303.83	8,000	25 Nov 1995
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoplots for branch premises	81 years	Freehold	292.83	5,832	12 Jun 1985

AMMB Holdings Berhad
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