

Registration No. 199401009897 (295576-U)

AmBank Islamic Berhad

Pillar 3 Disclosure

30 September 2021

**CAFIB - Pillar 3 Disclosure
For 30 September 2021**

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1.0 Scope of Application

The Capital Adequacy Framework for Islamic Banks (“CAFIB”) – Disclosure Requirements (Pillar 3) policy document issued by Bank Negara Malaysia (“BNM”) aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The policy document is applicable to AmBank Islamic Berhad (“the Bank”) and other banking institutions licensed under the Islamic Financial Services Act 2013 (“IFSA”).

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

Capital Adequacy

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

The capital adequacy ratios of the Bank are computed in accordance with BNM’s policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

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

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

The Bank has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM’s Guidelines on Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

Frequency of Disclosure

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

Medium and Location of Disclosure

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

2.0 Capital Management

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

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

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

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

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

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

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

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage 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. As at the reporting date, the Bank continued to maintain sufficient buffer above the CCB.

2.0 Capital Management (Cont'd.)

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

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

Under transitional arrangement (Note (i))

	30 September 2021	31 March 2021
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET 1") Capital Ratio	12.639%	12.146%
Tier 1 capital ratio	12.639%	12.146%
Total capital ratio	17.093%	16.661%
After deducting proposed dividends:		
CET 1 Capital Ratio	12.639%	12.038%
Tier 1 capital ratio	12.639%	12.038%
Total capital ratio	17.093%	16.553%

Notes:

- (i) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios of the Bank had been computed applying transitional arrangement on provision for ECL. Under the transitional arrangement, the Bank is allowed to add back the amount of loss allowance for non credit impaired exposure (ie. stage 1 and stage 2 provisions) to CET1 Capital. Had the transitional arrangement not been applied, the capital ratios of the Bank as at 30 September 2021 and 31 March 2021 are as follow:

2.0 Capital Management (Cont'd.)

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

	30 September 2021	31 March 2021
Before deducting proposed dividends:		
CET 1 Capital Ratio	10.769%	10.687%
Tier 1 Capital ratio	10.769%	10.687%
Total Capital ratio	15.669%	15.631%
After deducting proposed dividends:		
CET 1 Capital Ratio	10.769%	10.580%
Tier 1 Capital ratio	10.769%	10.580%
Total Capital ratio	15.669%	15.523%

2.1 Restricted Investment Account ("RA")

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

As at 30 September 2021, the gross exposure and expected credit losses relating to the RA financing were RM1,722.8 million and RM4.2 million respectively (31 March 2021: RM719.5 million and RM1.9 million respectively). There was no Stage 3 expected credit losses provided for the RA financing.

2.2 Mudarabah Term Investment Account ("MTIA")

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

As at 30 September 2021, the outstanding MTIA stood at RM149.6 million (31 March 2021: RM76.5 million).

The underlying assets tagged to both RA and MTIA excluded from the risk weighted capital adequacy computation of the Bank for 30 September 2021 amounted to RM1,872.5 million (31 March 2021: RM796.0 million).

Table 2.2: Risk Weighted Assets and Capital Requirements

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

30 September 2021

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA*	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. Credit Risk							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		3,683,658	3,683,658	-	-	-	-
Public Sector Entities ("PSE")		2,666	2,666	533	-	533	43
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,787,395	1,787,395	317,183	-	317,183	25,376
Insurance Companies, Securities Firms and Fund Managers		2,352	2,352	2,352	-	2,352	188
Corporates		20,419,237	19,955,989	16,973,566	1,722,839	15,250,727	1,220,057
Regulatory Retail		20,097,179	16,613,835	14,856,502	149,616	14,706,886	1,176,551
Residential Mortgages		303,498	303,498	116,655	-	116,655	9,332
Higher Risk Assets		990	990	1,485	-	1,485	119
Other Assets		180,171	180,171	83,671	-	83,671	6,694
Defaulted Exposures		443,957	442,987	504,171	-	504,171	40,333
Total for On-Balance Sheet Exposures		46,921,103	42,973,541	32,856,118	1,872,455	30,983,663	2,478,693
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		171,809	171,809	117,400	-	117,400	9,392
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		4,090,105	2,445,842	1,885,086	-	1,885,086	150,807
Defaulted Exposures		1,517	1,038	1,557	-	1,557	125
Total for Off-Balance Sheet Exposures		4,263,431	2,618,689	2,004,043	-	2,004,043	160,324
Total On and Off-Balance Sheet Exposures		51,184,534	45,592,230	34,860,161	1,872,455	32,987,706	2,639,017
2. Large Exposure Risk Requirement		-	-	-	-	-	-
3. Market Risk							
	Long Position	Short Position					
Rate of Return Risk							
- General rate of return risk	7,743,050	4,318,088		162,853	-	162,853	13,028
- Specific rate of return risk	3,661,334	238,443		8,730	-	8,730	698
Foreign Currency Risk	96,844	54,836		96,844	-	96,844	7,748
Total	11,501,228	4,611,367		268,427	-	268,427	21,474
4. Operational Risk				1,685,108	-	1,685,108	134,809
5. Total RWA and Capital Requirements				36,813,696	1,872,455	34,941,241	2,795,300

* Profit Sharing Investment Account ("PSIA").

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

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

31 March 2021

Exposure Class		Gross Exposures/ Exposure At Default ("EAD") before Credit Risk Mitigation ("CRM")	Net Exposures/ EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1. Credit Risk							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		10,727,009	10,727,009	-	-	-	-
Public Sector Entities		2,932	2,932	586	-	586	47
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,041,965	1,041,965	167,927	-	167,927	13,434
Corporates		19,820,167	19,414,095	16,271,704	719,512	15,552,192	1,244,175
Regulatory Retail		18,786,494	15,729,072	13,997,595	76,493	13,921,102	1,113,688
Residential Mortgages		302,721	302,716	115,960	-	115,960	9,277
Higher Risk Assets		1,003	1,003	1,505	-	1,505	120
Other Assets		191,445	191,445	94,945	-	94,945	7,596
Defaulted Exposures		512,219	511,272	592,794	-	592,794	47,424
Total for On-Balance Sheet Exposures		51,385,955	47,921,509	31,243,016	796,005	30,447,011	2,435,761
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		215,384	215,384	148,946	-	148,946	11,916
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		3,768,985	2,250,183	1,745,435	-	1,745,435	139,635
Defaulted Exposures		2,178	1,410	2,114	-	2,114	169
Total for Off-Balance Sheet Exposures		3,986,547	2,466,977	1,896,495	-	1,896,495	151,720
Total On and Off-Balance Sheet Exposures		55,372,502	50,388,486	33,139,511	796,005	32,343,506	2,587,481
2. Large Exposure Risk Requirement		-	-	-	-	-	-
3. Market Risk							
	Long Position		Short Position				
Rate of Return Risk							
- General rate of return risk		7,070,373	4,567,331	399,467	-	399,467	31,957
- Specific rate of return risk		2,500,835	-	17,708	-	17,708	1,417
Foreign Currency Risk		91,386	37,095	91,386	-	91,386	7,311
Total		9,662,594	4,604,426	508,561	-	508,561	40,685
4. Operational Risk				1,622,712	-	1,622,712	129,817
5. Total RWA and Capital Requirements				35,270,784	796,005	34,474,779	2,757,983

3.0 Capital Structure

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

- CET 1 Capital;
- Tier 2 Capital.

3.1 CET1 Capital

CET1 Capital consists of the following:

a) Paid up Capital

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

b) Retained Earnings

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

c) Fair Value Reserve

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

d) Regulatory Reserve

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

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

Basel III Subordinated Sukuk Murabahah

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

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

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

3.3 Tier 2 Capital (Cont'd.)

Table 3.2: Capital Structure

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

	30 September 2021 RM'000	31 March 2021 RM'000
<u>CET1 Capital</u>		
Ordinary shares	1,387,107	1,387,107
Retained earnings	2,442,851	2,341,323
Fair value reserve	34,373	43,972
Less : Regulatory adjustments applied on CET1		
- Intangible assets	(578)	(718)
- Deferred tax assets	(82,019)	(62,877)
- 55% of cumulative gains of FVOCI financial instruments	(18,905)	(24,185)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(87)	(183)
- Other CET 1 regulatory adjustment specified by BNM	653,321	502,728
CET1 Capital/ Tier 1 Capital	4,416,063	4,187,167
<u>Tier 2 Capital</u>		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,300,000
General provision*	256,523	256,523
Tier 2 Capital	1,556,523	1,556,523
Total Capital	5,972,586	5,743,690

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

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

	30 September 2021 RM'000	31 March 2021 RM'000
Credit RWA	34,860,161	33,139,511
Less : Credit RWA absorbed by PSIA	(1,872,455)	(796,005)
Total Credit RWA	32,987,706	32,343,506
Market RWA	268,427	508,561
Operational RWA	1,685,108	1,622,712
Total Risk Weighted Assets	34,941,241	34,474,779

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the AMMB Holdings Berhad ("AMMB") to set its risk/reward profile.

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

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

AMMB Group Risk Direction

AMMB Group's FY2021 to FY2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of $\geq 10\%$, (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.

- AMMB Group aspires to have a minimum the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
- AMMB Group aims to maintain a minimum ROCE of 12% and an RWA efficiency (CRWA/EAD) in the range of 40% to 50%, both based on Foundation Internal Rating Based ("FIRB").
- AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
- AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
- AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
 - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
 - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
 - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective from July 2020).

4.0 General Risk Management (Cont'd.)

AMMB Group Risk Direction (Cont'd.)

- AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks):
 - Keep operational losses and regulatory penalties below 2% of Profit after Zakat and Taxation ("PAZT").
 - Remain vigilant in risk identification and management to protect its reputation and business franchise.
- AMMB Group aims for at least 70% of its loan/financing portfolio to constitute exposures with low Environmental, Social and Governance Risk Grade (ESG-RG) by FY 2030.

Risk Management Governance

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

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

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

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

4.0 General Risk Management (Cont'd.)

Impact of COVID-19 pandemic

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

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

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

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. AMMB Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

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

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

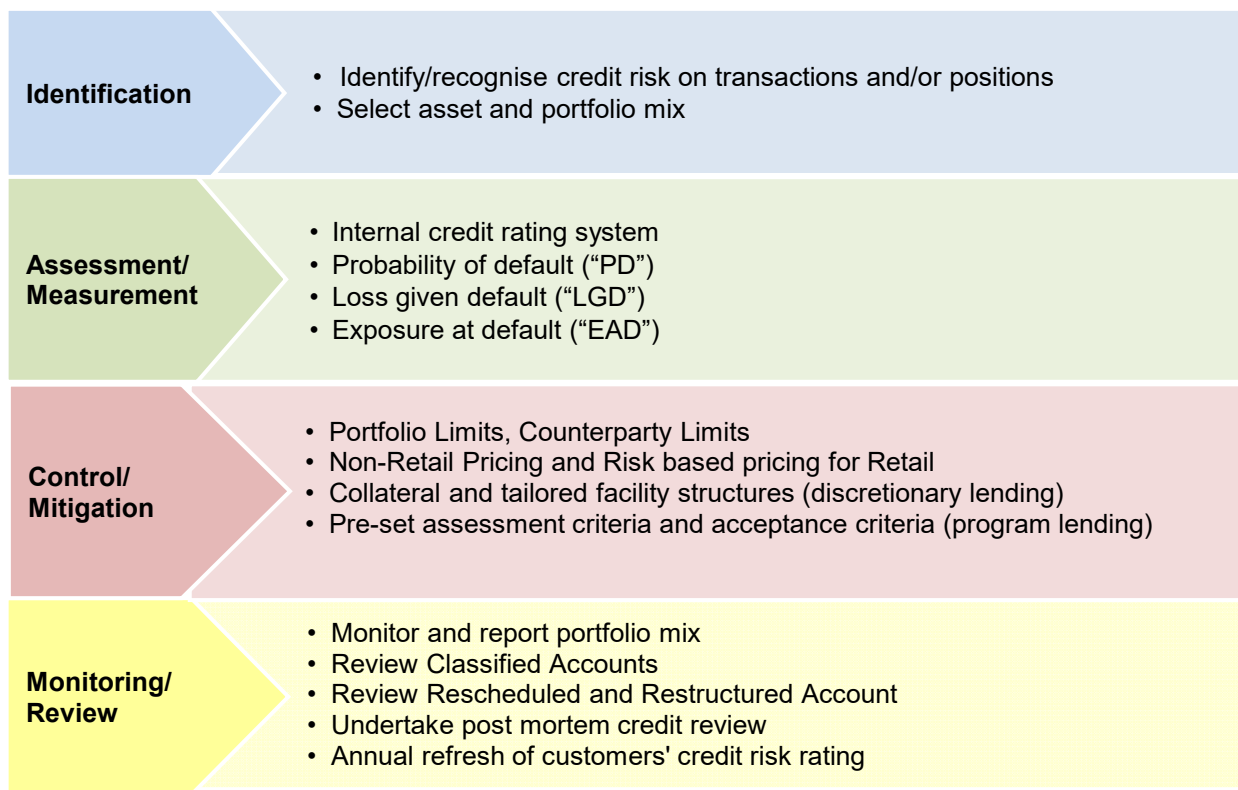
- 1) Reduction of repayment commitments:
 - a. Step-up repayment whilst maintaining the tenure; and
 - b. Extension of tenure
- 2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants, 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 pandemic to ensure significant areas of risks are covered by reviewing the portfolio credit quality and enhancing policies and controls.

5.0 Credit Risk Management

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



Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank’s transactions and/ or positions as well as Shariah compliance risk (please refer to Section 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 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 Bank’s credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank’s credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

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

5.0 Credit Risk Management (Cont'd.)

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

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

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

- Concentration threshold/ review triggers:
 - single counterparty credit exposure;
 - industry sector exposure; and
 - country risk exposure
- Setting Financing to Value limits for asset backed financing;
- Non-Retail Credit Policy ("NRCP") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB, and RCP for RB) sets out the controls in managing R&R financing; and
- Setting Retail risk controls capping for 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 AMMB Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). Portfolio credit risk is reported to the relevant management and board committees.

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

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

5.1 Impairment

The Classified Account Management ("CAM") governance 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 Bank considers that an obligor is unlikely to repay in full its credit obligations to the Bank;
- b. The obligor has breached its contractual payment obligations and past due for more than 90 days; and
- c. Other indicators stipulated in the CAM guidelines indicating the unlikelihood to repay are hit.

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

5.1.1 AMMB Group Provisioning Methodology

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

Table 5.1: Distribution of gross credit exposures by sector

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

30 September 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	3,683,658	-	-	-	-	-	3,683,658
Public Sector Entities	-	-	-	-	-	-	-	-	2,666	-	-	-	-	-	2,666
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,787,395	-	-	-	-	-	-	1,787,395
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-	-	2,352	-	-	-	-	-	-	2,352
Corporates	1,112,827	521,380	4,326,054	559,381	1,818,368	2,420,864	3,419,994	2,382,081	-	2,419,775	638,838	750,632	49,038	5	20,419,237
Regulatory Retail	5,160	2,486	98,840	6,341	38,740	171,885	49,054	2,215	-	5,949	49,912	11,851	19,654,745	1	20,097,179
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	303,498	-	303,498
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	990	-	990
Other Assets	-	-	-	-	-	-	-	-	96,500	-	-	-	-	83,671	180,171
Defaulted Exposures	1	1,593	50,359	90	3,816	29,577	3,424	-	-	234,321	326	449	120,001	-	443,957
Total for On Balance Sheet Exposures	1,117,988	525,459	4,475,253	565,812	1,860,924	2,622,326	3,472,472	4,174,043	3,782,824	2,660,045	689,076	762,932	20,128,272	83,677	46,921,103
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	48,905	-	-	261	79	122,555	-	-	-	9	-	-	171,809
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	173,340	51,019	857,107	75,814	985,908	505,940	181,275	210,774	-	295,460	67,313	51,633	634,522	-	4,090,105
Defaulted Exposures	-	3	-	-	31	7	-	-	-	501	-	-	975	-	1,517
Total for Off-Balance Sheet Exposures	173,340	51,022	906,012	75,814	985,939	506,208	181,354	333,329	-	295,961	67,313	51,642	635,497	-	4,263,431
Total On and Off-Balance Sheet Exposures	1,291,328	576,481	5,381,265	641,626	2,846,863	3,128,534	3,653,826	4,507,372	3,782,824	2,956,006	756,389	814,574	20,763,769	83,677	51,184,534

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

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

31 March 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	10,727,009	-	-	-	-	-	10,727,009
Public Sector Entities	-	-	-	-	-	-	-	-	2,932	-	-	-	-	-	2,932
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,041,965	-	-	-	-	-	-	1,041,965
Corporates	1,183,068	741,311	4,327,977	572,053	2,425,884	2,375,077	2,864,513	1,800,462	-	2,457,996	686,414	335,121	50,282	9	19,820,167
Regulatory Retail	6,994	2,760	102,273	7,000	41,258	164,202	49,572	454	-	5,941	72,613	11,838	18,321,588	1	18,786,494
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	302,721	-	302,721
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,003	-	1,003
Other Assets	-	-	-	-	-	-	-	-	96,500	-	-	-	-	94,945	191,445
Defaulted Exposures	44,005	1,699	18,647	89	3,407	44,775	38,826	-	-	238,487	5,040	1,024	116,220	-	512,219
Total for On-Balance Sheet Exposures	1,234,067	745,770	4,448,897	579,142	2,470,549	2,584,054	2,952,911	2,842,881	10,826,441	2,702,424	764,067	347,983	18,791,814	94,955	51,385,955
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	63,448	-	-	287	-	151,649	-	-	-	-	-	-	215,384
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	194,309	55,432	782,989	63,648	888,647	483,388	180,331	181,615	-	243,219	68,270	52,617	574,519	1	3,768,985
Defaulted Exposures	-	68	17	-	5	151	68	-	-	501	-	-	1,368	-	2,178
Total for Off-Balance Sheet Exposures	194,309	55,500	846,454	63,648	888,652	483,826	180,399	333,264	-	243,720	68,270	52,617	575,887	1	3,986,547
Total On and Off-Balance Sheet Exposures	1,428,376	801,270	5,295,351	642,790	3,359,201	3,067,880	3,133,310	3,176,145	10,826,441	2,946,144	832,337	400,600	19,367,701	94,956	55,372,502

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

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

30 September 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	2	2,243	64,604	101	4,982	73,080	4,096	-	227,410	334	449	166,444	543,745
Past due but not impaired financing	783	-	22,326	603	68,756	34,616	10,009	171	2,682	6,833	871	1,484,047	1,631,697
Allowances for expected credit loss	7,424	16,052	127,243	1,499	18,383	57,297	159,110	14,241	28,233	4,918	1,010	541,276	976,686
Charges/(Writeback) for individual allowance	(905)	100	927	-	259	6,407	-	-	8,315	(64)	-	-	15,039
Write-offs against individual allowances	-	35	19	-	5	356	-	-	8,424	-	-	-	8,839

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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	44,911	2,284	30,899	100	4,295	71,058	40,280	-	243,134	5,167	1,022	169,924	613,074
Past due but not impaired financing	108,467	-	8,713	715	13,085	85,373	109,577	-	22,052	4,356	329	1,025,648	1,378,315
Allowances for expected credit loss	5,353	1,198	97,849	1,200	11,302	38,287	25,452	28,379	15,130	3,357	749	607,419	835,675
Charges/(Writeback) for individual allowance	(40)	67	5,346	-	44	25,072	(1,561)	-	18,239	95	-	-	47,262
Write-offs against individual allowances	-	79	2,047	-	283	2,869	-	-	35,078	5,779	-	-	46,135

Table 5.3: Geographical distribution of credit exposures

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

30 September 2021	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	3,683,658	-	3,683,658
Public Sector Entities	2,666	-	2,666
Banks, DFIs and MDBs	1,531,412	255,983	1,787,395
Insurance Companies, Securities Firms and Fund Managers	2,352	-	2,352
Corporates	20,419,237	-	20,419,237
Regulatory Retail	20,097,179	-	20,097,179
Residential Mortgages	303,498	-	303,498
Higher Risk Assets	990	-	990
Other Assets	180,171	-	180,171
Defaulted Exposures	443,957	-	443,957
Total for On Balance Sheet Exposures	46,665,120	255,983	46,921,103
Off-Balance Sheet Exposures			
OTC Derivatives	171,809	-	171,809
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,090,105	-	4,090,105
Defaulted Exposures	1,517	-	1,517
Total for Off-Balance Sheet Exposures	4,263,431	-	4,263,431
Total On and Off-Balance Sheet Exposures	50,928,551	255,983	51,184,534

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

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

31 March 2021	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	10,727,009	-	10,727,009
Public Sector Entities	2,932	-	2,932
Banks, DFIs and MDBs	917,388	124,577	1,041,965
Corporates	19,820,167	-	19,820,167
Regulatory Retail	18,786,494	-	18,786,494
Residential Mortgages	302,721	-	302,721
Higher Risk Assets	1,003	-	1,003
Other Assets	191,445	-	191,445
Defaulted Exposures	512,219	-	512,219
Total for On-Balance Sheet Exposures	51,261,378	124,577	51,385,955
Off-Balance Sheet Exposures			
OTC Derivatives	215,384	-	215,384
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,768,985	-	3,768,985
Defaulted Exposures	2,178	-	2,178
Total for Off-Balance Sheet Exposures	3,986,547	-	3,986,547
Total On and Off-Balance Sheet Exposures	55,247,925	124,577	55,372,502

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

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

30 September 2021	Total
	RM'000
Impaired financing	543,745
Past due but not impaired financing	1,631,697
Allowances for expected credit loss	976,686

31 March 2021	Total
	RM'000
Impaired financing	613,074
Past due but not impaired financing	1,378,315
Allowances for expected credit loss	835,675

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

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

30 September 2021	>6 months							No Maturity specified RM'000	Total RM'000
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000		
On-Balance Sheet Exposures									
Sovereigns/Central Banks	1,952,207	-	80,764	30,817	324,992	546,659	748,219	-	3,683,658
Public Sector Entities	-	-	-	-	-	2,063	603	-	2,666
Banks, DFIs and MDBs	1,536,589	-	40,131	15,060	144,846	41,572	9,197	-	1,787,395
Insurance Companies, Securities Firms and Fund Managers	-	-	-	2,352	-	-	-	-	2,352
Corporates	6,582,451	1,820,475	1,242,241	1,438,253	1,826,319	1,780,852	5,728,646	-	20,419,237
Regulatory Retail	19,067	30,327	56,421	452,259	730,038	1,036,483	17,772,584	-	20,097,179
Residential Mortgages	149	238	58	527	6,640	12,882	283,004	-	303,498
Higher Risk Assets	-	-	-	-	-	-	990	-	990
Other Assets	96,500	-	-	-	-	-	-	83,671	180,171
Defaulted Exposures	262,652	5,807	928	24,209	17,517	15,692	117,152	-	443,957
Total for On-Balance Sheet Exposures	10,449,615	1,856,847	1,420,543	1,963,477	3,050,352	3,436,203	24,660,395	83,671	46,921,103
Off-Balance Sheet Exposures									
OTC Derivatives	721	1,455	15,449	45,365	10,275	98,544	-	-	171,809
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	362,530	386,472	845,980	2,142,726	336	336	351,725	-	4,090,105
Defaulted Exposures	193	-	-	541	-	-	783	-	1,517
Total for Off-Balance Sheet Exposures	363,444	387,927	861,429	2,188,632	10,611	98,880	352,508	-	4,263,431
Total On and Off-Balance Sheet Exposures	10,813,059	2,244,774	2,281,972	4,152,109	3,060,963	3,535,083	25,012,903	83,671	51,184,534

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

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

31 March 2021	Residual contractual maturity							No Maturity specified RM'000	Total RM'000
	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		
On-Balance Sheet Exposures									
Sovereigns/Central Banks	9,016,338	-	-	81,456	284,399	544,432	800,384	-	10,727,009
Public Sector Entities	-	-	-	-	-	2,281	651	-	2,932
Banks, DFIs and MDBs	584,503	199,656	10,135	40,116	160,435	41,897	5,223	-	1,041,965
Corporates	5,548,433	1,723,914	1,007,116	1,675,606	1,025,593	2,288,742	6,550,763	-	19,820,167
Regulatory Retail	17,268	34,097	42,411	210,029	1,012,298	1,350,789	16,119,602	-	18,786,494
Residential Mortgages	116	330	82	728	6,724	13,255	281,486	-	302,721
Higher Risk Assets	-	-	-	-	-	-	1,003	-	1,003
Other Assets	96,500	-	-	-	-	-	-	94,945	191,445
Defaulted Exposures	289,659	861	2,230	27,237	17,396	11,382	163,454	-	512,219
Total for On-Balance Sheet Exposures	15,552,817	1,958,858	1,061,974	2,035,172	2,506,845	4,252,778	23,922,566	94,945	51,385,955
Off-Balance Sheet Exposures									
OTC Derivatives	1,389	1,192	20,049	9,135	29,069	154,550	-	-	215,384
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	378,526	109,200	305,868	2,671,989	34	3,797	299,571	-	3,768,985
Defaulted Exposures	209	68	-	726	203	-	972	-	2,178
Total for Off-Balance Sheet Exposures	380,124	110,460	325,917	2,681,850	29,306	158,347	300,543	-	3,986,547
Total On and Off-Balance Sheet Exposures	15,932,941	2,069,318	1,387,891	4,717,022	2,536,151	4,411,125	24,223,109	94,945	55,372,502

* Refer Note in Table 5.1

Table 5.6: Reconciliation of changes to financing impairment allowances

The disclosure on reconciliation of financing loss allowances can be found in Note A12j of the interim financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

30 September 2021	(Charge off)/recoveries RM'000
Bad debts written off during the period	(5,359)
Bad debt recoveries during the period	44,625

31 March 2021	(Charge off)/recoveries RM'000
Bad debts written off during the year	(18,032)
Bad debt recoveries during the year	117,674

6.0 Credit Risk Exposure under the Standardised Approach

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

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

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

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

30 September 2021

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,683,658	-	201,478	-	2,172,185	57	-	-	96,500	6,153,878	-
20%	-	2,666	1,592,931	-	1,527,113	110,072	-	-	-	3,232,782	646,556
35%	-	-	-	-	-	-	239,296	-	-	239,296	83,754
50%	-	-	136,776	-	22,295	5,919	74,608	-	-	239,598	119,799
75%	-	-	-	-	-	7,233,100	-	-	-	7,233,100	5,424,825
100%	-	-	-	2,352	18,280,658	9,940,818	2,776	-	83,671	28,310,275	28,310,275
150%	-	-	-	-	140,744	40,948	-	1,609	-	183,301	274,952
Total	3,683,658	2,666	1,931,185	2,352	22,142,995	17,330,914	316,680	1,609	180,171	45,592,230	34,860,161

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

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

31 March 2021

Risk Weights	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	10,727,009	-	202,333	2,659,553	61	-	-	96,500	13,685,456	-
20%	-	2,932	860,480	1,066,873	115,062	-	-	-	2,045,347	409,069
35%	-	-	-	-	-	241,706	-	-	241,706	84,597
50%	-	-	133,777	27,663	6,006	72,535	-	-	239,981	119,991
75%	-	-	-	-	7,057,968	-	-	-	7,057,968	5,293,476
100%	-	-	-	17,603,472	9,186,083	4,829	-	94,945	26,889,329	26,889,329
150%	-	-	-	195,530	31,549	-	1,620	-	228,699	343,049
Total	10,727,009	2,932	1,196,590	21,553,091	16,396,729	319,070	1,620	191,445	50,388,486	33,139,511

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2021

Exposure Class	Moody's	Ratings of Corporate by Approved ECAIs		
	Fitch	Aaa to Aa3	A1 to A3	Unrated
	RAM	AAA to AA-	A+ to A-	Unrated
	MARC	AAA to AA3	A1 to A3	Unrated
	Total	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	2,666	-	-	2,666
Insurance Companies, Securities Firms and Fund managers	2,352	-	-	2,352
Corporates	24,153,115	1,204,302	-	22,948,813
Total	24,158,133	1,204,302	-	22,953,831

31 March 2021

Exposure Class	Moody's	Ratings of Corporate by Approved ECAIs		
	Fitch	Aaa to Aa3	A1 to A3	Unrated
	RAM	AAA to AA-	A+ to A-	Unrated
	MARC	AAA to AA3	A1 to A3	Unrated
	Total	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	2,932	-	-	2,932
Corporates	23,379,566	707,161	-	22,672,405
Total	23,382,498	707,161	-	22,675,337

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

30 September 2021

	Ratings of Sovereigns and Central Banks by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Total					
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Sovereigns and Central Banks	3,683,658	-	-	3,683,658	-	-
Total	3,683,658	-	-	3,683,658	-	-

31 March 2021

	Ratings of Sovereigns and Central Banks by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Total					
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Sovereigns and Central Banks	10,727,009	-	-	10,727,009	-	-
Total	10,727,009	-	-	10,727,009	-	-

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

30 September 2021

Exposure Class	Moody's Fitch RAM MARC Total	Ratings of Banking Institutions by Approved ECAIs			
		Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB-	Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,931,185	1,057,101	134	-	873,950
Total	1,931,185	1,057,101	134	-	873,950

31 March 2021

Exposure Class	Moody's Fitch RAM MARC Total	Ratings of Banking Institutions by Approved ECAIs			
		Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB-	Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,196,590	256,451	133	-	940,006
Total	1,196,590	256,451	133	-	940,006

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
30 September 2021			
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	3,683,658	-	-
Public Sector Entities	2,666	-	-
Banks, DFIs and MDBs	1,787,395	-	-
Insurance Companies, Securities Firms and Fund Managers	2,352	-	-
Corporates	20,419,237	265,069	1,304,144
Regulatory Retail	20,097,179	105,762	4,423,018
Residential Mortgages	303,498	-	-
Higher Risk Assets	990	-	-
Other Assets	180,171	-	-
Defaulted Exposures	443,957	7,874	73,026
Total On-Balance Sheet Exposures	46,921,103	378,705	5,800,188
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	171,809	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,090,105	380,639	1,815,685
Defaulted Exposures	1,517	-	527
Total Off-Balance Sheet Exposures	4,263,431	380,639	1,816,212
Total On and Off-Balance Sheet Exposures	51,184,534	759,344	7,616,400

Exposures	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
31 March 2021			
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	10,727,009	-	-
Public Sector Entities	2,932	-	-
Banks, DFIs and MDBs	1,041,965	-	-
Corporates	19,820,167	475,285	1,313,450
Regulatory Retail	18,786,494	111,190	3,885,464
Residential Mortgages	302,721	-	5
Higher Risk Assets	1,003	-	-
Other Assets	191,445	-	-
Defaulted Exposures	512,219	6,927	88,076
Total for On-Balance Sheet Exposures	51,385,955	593,402	5,286,995
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	215,384	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,768,985	340,352	1,697,017
Defaulted Exposures	2,178	-	869
Total for Off-Balance Sheet Exposures	3,986,547	340,352	1,697,886
Total On and Off-Balance Sheet Exposures	55,372,502	933,754	6,984,881

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off-Balance Sheet Exposures

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

30 September 2021

Description	Principal Amount RM'000	Positive Fair Value of		Risk Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
Direct credit substitutes	573,926		573,917	386,802
Transaction related contingent items	956,564		478,282	373,703
Short term self liquidating trade related	46,011		9,202	8,644
Forward asset purchases	62,357		2,715	753
Foreign exchange related contracts	1,364,423	4,592	49,346	49,346
One year or less	684,076	4,429	7,573	7,573
Over one year to five years	680,347	163	41,773	41,773
Other commodity contracts	71,049	6,012	10,275	5,138
Over one year to five years	71,049	6,012	10,275	5,138
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,157,873	29,086	112,188	62,916
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	728,153		363,992	285,813
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,640,475		2,386,306	623,633
Unutilised credit card lines	1,386,040		277,208	207,295
Total	14,986,871	39,690	4,263,431	2,004,043

31 March 2021

Description	Principal Amount RM'000	Positive Fair Value of		Risk Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
Direct credit substitutes	573,954		573,940	397,636
Transaction related contingent items	862,352		431,176	328,390
Short term self liquidating trade related contingencies	43,131		8,626	7,931
Forward asset purchases	237,329		16,748	3,620
Foreign exchange related contracts	1,639,859	4,586	64,506	64,196
One year or less	888,669	4,464	13,146	12,836
Over one year to five years	751,190	122	51,360	51,360
Profit rate related contracts	70,332	4,811	9,031	4,516
Over one year to five years	70,332	4,811	9,031	4,516
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,377,802	40,270	141,847	80,234
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	595,233		297,405	234,461
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,952,699		2,165,386	567,685
Unutilised credit card lines	1,389,410		277,882	207,826
Total	14,742,101	49,667	3,986,547	1,896,495

9.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2021 and financial year ended 31 March 2021.

10.0 Non-Traded Market Risk ("NTMR")

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

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

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

30 September 2021	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	12,496	(12,496)
Impact on equity	(332,429)	370,436

31 March 2021	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	30,888	(30,888)
Impact on equity	(240,219)	265,466

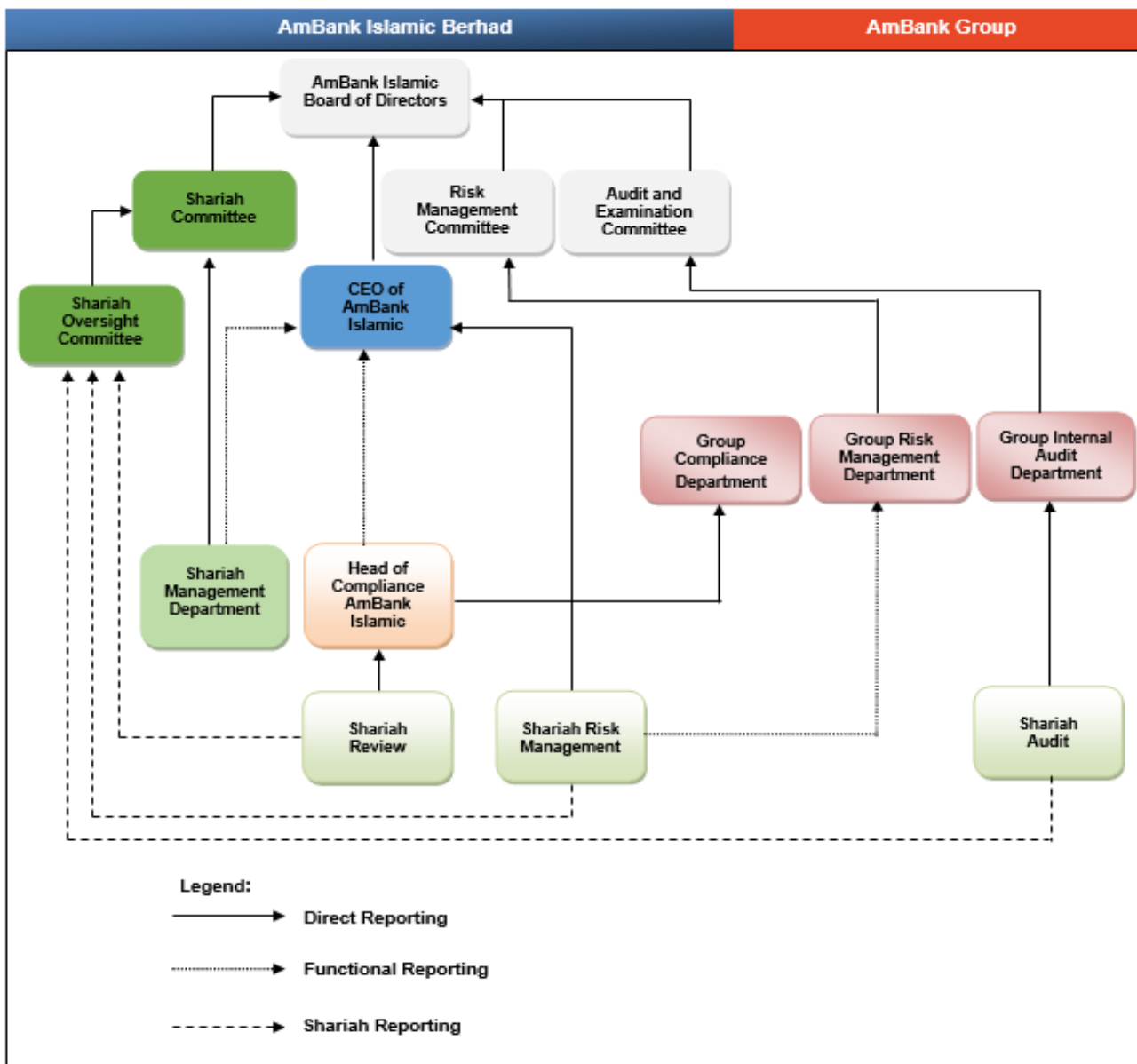
11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2021 and 31 March 2021.

12.0 Liquidity Risk and Funding Management

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

13.0 Shariah Governance Structure



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

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

13.0 Shariah Governance Structure (Cont'd.)

Board of Directors

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

Audit and Examination Committee ("AEC")

AEC is a Board committee responsible for assisting the Board in ensuring that the Bank's operations are Shariah compliant through the independent assurance from the Shariah Audit function. The reports from the Shariah Review Section are also presented to the AEC for information.

Risk Management Committee ("RMC")

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

Shariah Committee

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

Shariah Oversight Committee

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

Senior Management

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

13.0 Shariah Governance Structure (Cont'd.)

Shariah Management

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

Shariah Risk Management

The Shariah Risk Management ("SRM") Department is accountable to the Group Risk Management and CEO of AmBank Islamic 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 businesses, operations, affairs and activities of the Bank.

The management of Shariah risk is executed through 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

The Shariah Review Section is accountable to the Bank'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 the Bank which are predominantly transactional in nature, with Shariah requirements.

Shariah Audit

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

14.0 Shariah Non-Compliant Income

For the financial period as at 30 September 2021, there was nil Shariah non-compliant ("SNC") incident.

For the financial year ended 31 March 2021, there were two (2) SNC incidents involving SNC income of approximately RM353,000.

15.0 Investment Account (“IA”)

The Bank 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 the Bank and Unrestricted Investment Account (“UA”) which refers to an IA where the customer provides the Bank with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RA and UA are based on the Shariah concept of Mudarabah.

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

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

- Computation of Single Customer Exposure (“SCEL”); where the RA placement maintained by the Bank shall be captured via look-through approach whereby the exposure to the counterparty in relation to the underlying asset invested by the Bank. The exposure shall be aggregated with all other exposure to such counterparty which in this case AmBank.
- Credit and market risk weighted assets funded by RA and UA are allowed to be excluded from the Bank’s calculation of Risk Weighted Capital Ratio (“RWCR”). Hence, allowing the Bank to enhance its financing capacity.

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

15.0 Investment Account (“IA”)

15.1 Restricted Investment Account (“RA”)

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

The RA exposes AmBank to the risks and rewards of the financing, and accordingly, AmBank accounts for all impairment allowances and risk weighted assets arising from the RA arrangement.

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

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

The contract or Aqad 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 the Bank.

15.0 Investment Account (“IA”)

15.2 Mudarabah Term Investment Account (“MTIA”)

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

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

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

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

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

MTIA Performance

As at 30 September 2021, balance of MTIA stood at RM149.6 million (31 March 2021: RM76.5 million). The performance of MTIA is as described in the table below :

As at 30 September 2021	%
Return on Assets (“ROA”)	4.00
Average Net Distributable Income Attributable to the IAH	2.07
Average Profit Sharing Ratio to the IAH	51.68

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