AmBank Islamic Berhad

Registration No. 199401009897 (295576-U)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2024

Registration No. 199401009897 (295576–U)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of AmBank Islamic Berhad ("the Bank") for the financial year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The Bank is a licensed Islamic banking institution providing Islamic retail and non-retail banking products and services in accordance with Shariah principles. There has been no significant change in the nature of the activities of the Bank during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	430,572

There were no material transfer to or from reserves, allowances or provisions during the financial year other than those disclosed in the financial statements.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the Directors, the results of operations of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

DIVIDENDS

On 18 December 2023, the Bank had paid an interim single-tier cash dividend of 13.3 sen per share on 494,368,541 ordinary shares amounted to approximately RM65,751,016 in respect of the financial year ended 31 March 2024.

The Directors propose the payment of a final single-tier dividend of 4.1 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM20,269,110 in respect of the current financial year ended 31 March 2024. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2025.

OUTLOOK FOR NEXT FINANCIAL YEAR

The prospects for the global economy appears to be brighter than when we entered calendar year ("CY") 2024. With the prolonged high interest rate environment, the United States ("US") economy continued to grow, albeit at a slower pace in the first quarter of CY2024 and inflation pressure has also eased slightly. This provides more flexibility for the US Federal Reserve ("Fed") to reduce policy interest rate later in the year. The Eurozone's and United Kingdom's economies managed to overcome the technical recession experienced in the second half of CY2023. With inflation in these economies holding steady and nearing the targeted level, this should allow the central banks to cut interest rates to stimulate further growth of their economies. An expected, first-rate cut will likely happen in June 2024 for both the European Central Bank ("ECB") and the Bank of England ("BoE"). China's recent growth in industrial production signals that manufacturers are recovering gradually although retail sales of consumer goods remain weak. Globally, the outlook on the manufacturing sector has improved as the latest Global Manufacturing Purchasing Manager's Index ("PMI") reached a growth threshold of 50 for three consecutive months. Taken together, we expect to see the outlook for global economy to improve.

During the first quarter of CY2024, Malaysia's economy expanded by 4.2% year-on-year ("YoY") and this was higher than the market forecast of 3.9% YoY. This growth was driven by higher private consumption, the rebound in exports of goods and services, and the robust expansion in private investments. The services sector continued to grow at 4.7% YoY, and growth in the construction sector was strong at 11.9% YoY, whilst the manufacturing sector posted a decent growth of 1.9% YoY.

We anticipate continued support for growth from domestic demand and recovery in the external trade for the rest of 2024. The expected minimum wage growth revision, civil servants' wage adjustments, EPF's Flexible (Account 3) withdrawals, progressive wage model and continued subsidies for lower-income household groups will help drive domestic consumption. Furthermore, tourism and related sectors are improving and have yet to reach their pre-pandemic levels. Market indicators suggest that the semiconductor industry reached its low point at the end of the first half of CY2023 and has since embarked on a path to recovery, offering positive prospects for CY2024. We maintain our earlier forecast that Malaysia's Gross Domestic Product ("GDP") growth will be at 4.5% for CY2024, which falls at the mid-point of the Bank Negara Malaysia's ("BNM's") projection of 4.0% to 5.0%.

For the banking sector, the outstanding financing grew by 6.0% YoY in March 2024, the highest growth since 2022. The non-household segment financing expanded 5.6%, and for the household segment, financing growth was at 6.3%. We anticipate financing growth to be in the range of 4.0% to 5.0% for the year. The overall banking system remains highly liquid. This is reflected by the liquidity coverage ratio at 150.3% in March 2024. The funding profile remains well-diversified, with March 2024's financing-to-fund ratio and financing-to-fund-and-equity ratio at 81.8% and 71.2%, respectively.

We believe the OPR will be maintained at its current rate of 3.0% throughout 2024. However, the planned subsidies rationalisation and wage growth may add some inflationary pressure in the second half of the year.

AMMB Holdings Berhad ("AMMB") Group's outlook on the Malaysian economy is positive, supported by strong domestic demand, improving labour markets, continued growth of inbound tourism and increased Foreign Direct Investment. In addition, pragmatic implementation of Budget 2024 is expected to provide additional impetus to the economy.

SIGNIFICANT EVENT

There was no significant event during the financial year.

SIGNIFICANT SUBSEQUENT EVENT

There was no material event subsequent to the reporting date that requires disclosure or adjustments to the financial statements.

BUSINESS PLAN AND STRATEGY

Performance review for financial year ended 31 March 2024

The Bank recorded profit after zakat and taxation (“PAZT”) of RM430.6 million for the financial year ended 31 March 2024, which was lower than the previous financial year’s PAZT of RM531.9 million. This was primarily attributable to the compression of net funding margin (“NFM”) and the slowdown in financing growth compared to the previous financial year.

The slowdown in financing was due to the contraction of financing for the purchase of Amanah Saham Bumiputera (“ASB”) unit trust and slower business financing growth amid a higher profit rate environment. On the deposit front, the Bank continued to diversify the source of funding by attracting more stable and cheaper funding where current account and savings account ("CASA") ratio stood at 38.1%. Asset quality remained resilient with a gross impaired financing (“GIF”) ratio of 1.44% (FY2023: 1.14%). The Bank’s common equity tier 1 (“CET 1”)/Tier 1 and total capital ratios stood at 13.047% and 17.719% (after deducting proposed dividend) respectively.

The Bank continued its strategy in growing the more profitable products such as auto financing, personal financing, wealth management and better penetration into the small and medium enterprises ("SMEs") segment while managing the mortgage portfolio.

Strategic Highlights

The Bank is the primary Islamic banking arm of AMMB Group and offers a comprehensive range of Shariah-compliant retail and non-retail banking products and services, including investment, treasury and trade solutions. Our primary role as a credit intermediary is anchored by our value-based intermediation ("VBI") aspiration. This is an integral strategy to catalyse our journey towards becoming a purpose-based organisation, whilst being mindful of financial returns to our shareholder.

The Bank's strategic direction is in tandem with that of AMMB Group. The Bank continues to operate in its existing market segments and adds further value to the AMMB Group by penetrating niche market segments which naturally gravitate towards Islamic banking. The Bank is now poised to further improve its income and profitability through our growth strategies. We aim to deliver value to all our stakeholders through sustainable returns whilst maintaining optimal capital and funding profiles.

BUSINESS PLAN AND STRATEGY (CONT'D.)

Small and Medium Enterprises ("SMEs")

The Bank continued to be recognised as supporting the SMEs in Malaysia where the Bank has been recognised as the “Best Islamic SME Bank Malaysia 2023” by The Asset Triple A (3rd consecutive year) and Alpha Southeast Asia (4th year). The awards received will spur the Bank to continue to serve the SMEs which are the backbone of Malaysia’s economy.

The Bank remains committed in supporting Malaysian SMEs to transition their operation towards sustainable practices and to reduce carbon emission by inter alia providing financing under Bank Negara Malaysia ("BNM") Low Carbon Transition Fund (“LCTF”) and High Tech and Green Facility (“HTG”) apart from actively participating in the various BNM financing schemes for SMEs such as SME Automation and Digitalisation Facility (“ADF”), Agrofood Fund (“AF”) and All Economic Sectors Facility (“AES”) which enable SMEs to obtain financing at favourable rates.

Mass Segment

Amongst the Bank's key products which were targeted to the mass segment were:

- Auto Financing-i ("AF-i"): Due to the refinements in our strategies and processes, our AF-i portfolio recorded a growth of 11.6%;
- Personal Financing-i for public sector: 31% growth;
- Umrah Financing initiatives; and
- AmWafeeq-i: This is an Islamic savings account which was promoted through the AmRewards 3.0 known as AmUp Your Chances Campaign with prizes totaling RM2.6 million.

Affluent Segment

The Bank provided wealth management services to our affluent customers by distributing Islamic unit trusts, Takaful products and other Shariah-compliant investment products.

BUSINESS PLAN AND STRATEGY (CONT'D.)

Awards and Recognition

1. The Asset Triple A
   - Best Islamic SME Bank Malaysia 2021, 2022 and 2023
   - Islamic Banker of the Year 2023
   - Best Sustainability Sukuk – Transport 2023 (Shariah Adviser)
   - Best Securitisation Sukuk 2023 (Shariah Adviser)
   - Renewable Energy Deal of the Year 2023 (Financier)
   - Transport Deal of the Year 2023 (Shariah Adviser)

2. Alpha Southeast Asia
   - Best Islamic Finance SME Bank Malaysia 2019, 2020, 2021 and 2023

3. Global Islamic Finance Awards ("GIFA")
   - Best Islamic Wholesale Banking Solutions Award 2021 and 2023
   - GIFA Chief Executive Officer ("CEO") of the Year 2021, 2022 and 2023

4. Global Business Review Magazine Award
   - Best Islamic Bank Malaysia 2022 and 2023
   - Best Islamic Banking CEO Of the Year Malaysia 2023
   - Best Islamic Corporate Social Responsibility ("CSR") Bank Malaysia 2023

VBI and Sustainability Agenda

1. AMMB Group Sustainability Agenda:
   - AMMB Group has a Sustainability Framework, encompassing 3 sustainability themes and 9 sustainability matters. The most critical sustainability matter (i.e. Mitigating Environmental, Social and Governance ("ESG") and Climate Related Risks) is overlaid with the lens of VBI. Periodically, AMMB Group conducts materiality assessment to ensure the sustainability strategies remain aligned with evolving priorities and challenges.
   - AMMB Group has enhanced the governance for its sustainability agenda by:
     - appointing the Group Chief Sustainability Officer ("CSO") to oversee the alignment and integration of sustainability including climate-related risks and opportunities into AMMB Group's policies and businesses; and
     - reinforcing the structure of AMMB Group Sustainability Council to AMMB Group Sustainability and Climate Risk Council ("GSCRC"). This council, chaired by AMMB Group CEO, serves as a platform for senior management to deliberate, monitor and drive sustainability issues including climate-related matters.
   - AMMB Group has developed a comprehensive sustainability training programme for the employees to facilitate understanding of sustainability and climate-related matters. This includes focused sessions for board and senior management to ensure the leadership team is kept abreast with the latest sustainability developments.

BUSINESS PLAN AND STRATEGY (CONT'D.)

VBI and Sustainability Agenda (Cont'd.)

2. AMMB Group integrates ESG considerations into its strategy and decision-making processes as manifested below: -
   - AMMB adopts an Exclusion List where AMMB Group would not refinance or extend new or additional financing to businesses which fall under the Exclusion List whilst existing exposures from such sectors would be grandfathered. Coal and tobacco are amongst those featured in the Exclusion list with thresholds for companies with mixed contribution. Allowances may be granted for financing of coal-related activities of existing projects that support national power/energy.
   - Our credit risk grade is overlaid with ESG risk grade ("ESG-RG"), climate change classification and green classification for selected non-individual customers.
   - Continuous enhancements in capabilities in this area are guided by BNM Climate Change and Principle-based Taxonomy (“CCPT”) and BNM Climate Risk Management and Scenario Analysis Policy Document (“CRMSA”).

3. Industry Contributions
   - The roles played by the Bank’s CEO:
     - Co-Chairman of the Risk Management Sub-Committee (”SC1”) of BNM and Securities Commission Malaysia-led Joint Committee on Climate Change (“JC3”).
     - Chairman of the Financial Industry Collective Outreach (“FINCO”) Steering Committee.
     - Member of the VBI Community of Practitioners.
   - AMMB Group’s CSO is a member of the Physical Risk working group under SC1.
   - AMMB Group hosted an International ESG Day in August 2023, engaging with customers and investors to create a platform to bring together perspectives and insights to help elevate the key themes in the transition to a more sustainable future.
   - AMMB Group is a member of JC3’s newly formed SME Focus Group (“SFG”) as part of the efforts to priorities strategies and solutions that support transition by SMEs to greener and more sustainable activities.
   - AMMB Group has established partnership and collaboration with key industry players including AmBank serving as the Exclusive Banking Partner in value chain programmes.

BUSINESS PLAN AND STRATEGY (CONT'D.)

VBI and Sustainability Agenda (Cont'd.)

4. Community Contributions

   As at 31 March 2024, the Bank has fulfilled its responsibility through business zakat distribution in the sum of RM1,747,040.

   - RM498,000 was paid to state zakat collection centres that have helped various asnaf groups to improved their socio-economic status.
   - The remaining RM1,249,040 of business zakat was allocated to 1,222 end recipients from 18 eligible entities as follows:
     - RM400,000 was distributed under the iTEKAD 2.0 programme that benefited almost 170 asnaf entrepreneurs from the food and beverages, retail and services sectors in Johor, Perak, Penang, Kedah and Perlis. This programme involved collaborations with Koperasi Usahawan Serikandi Johor Berhad (“KUSERI”), Sekretariat Usahawan Negeri Perak (“SteP”) and Northern Corridor Implementation Authority (“NCIA”). Similar to previous year, iTEKAD 2.0 comprises three (3) components:

       i. Seed Capital – RM600,000 (Business Zakat of RM300,000 and a matching grant of RM300,000 from the Ministry of Finance (“MOF”)/BNM).

       ii. Microfinancing – RM100,000.

       iii. Capacity Building – RM100,000 (Business Zakat).

       This is the second participation of iTEKAD programme by the Bank which aims to support asnaf and B40 micro entrepreneurs to generate sustainable income, by boosting their business and digital capacity.

     - RM345,134 was distributed to 671 recipients who are eligible asnaf which included university students as well as students pursuing The Association of Chartered Certified Accountants ("ACCA") Programme. The university students received cash assistance for sustenance and education purposes. Another assistance provided via business zakat fund is a 6-month fee assistance to underprivileged children diagnosed with autism. The assistance enables the children access to therapy sessions, special education classes as well as other support services needed to support their physical and mental growth.
     - RM132,177 was distributed to 2 medical centres to support the cost of medical treatments, medication and the purchase of medical equipment for asnaf patients that are currently undergoing scheduled follow-up treatments at both medical centres.
     - RM371,729 was distributed to 7 charity associations and homes for Islamic development programmes as well as cash assistance for essential expenses.

ISSUANCE OF SHARES AND DEBENTURES

Issuance of sukuk

On 27 June 2023, the Bank issued Tranche 11 with nominal value of RM500.0 million under its RM3.0 billion Subordinated Sukuk Murabahah ("Sukuk Murabahah") programme. The profit rate of this tranche is at 4.53% per annum and have a tenure of 10 years (non-callable 5 years).

Repayment of sukuk

On 18 October 2023, the Bank redeemed Tranche 7 of the Sukuk Murabahah on its first call date with nominal value amounting to RM500.0 million.

There were no issuance of shares or debentures by the Bank during the financial year other than those disclosed above and in Note 22 and Note 23 to the financial statements.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Bank through the holding company, AMMB, has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM200.0 million against any liability incurred by the Directors and Officers in the discharge of their duties while holding office within the AMMB Group including the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, breach of law or breach of trust proven against them. The gross amount of insurance premium paid by AMMB for the Directors and Officers of AMMB and its subsidiaries for the current financial year was RM418,425 (2023: RM418,425).

AMMB EXECUTIVES' SHARE SCHEME

On 5 October 2018, the Board of Directors ("the Board") of AMMB approved the implementation of an Executives' Share Scheme ("ESS") for Eligible Executives of the AMMB Group (including Eligible Executives of the Bank).

The awards under the ESS are up to ten percent (10%) of the total number of issued shares of AMMB (excluding treasury shares) at any point of time for the duration of the ESS for Eligible Executives including Executive Directors. The ESS is implemented and administered by the Group Nomination and Remuneration Committee ("GNRC"). The effective date of the ESS is 5 October 2018 and would be in force for a period of ten (10) years to 4 October 2028.

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the ESS will only vest to Eligible Executives who have duly accepted the offers of awards under the ESS subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the GNRC.

BAD AND DOUBTFUL FINANCING

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowances for doubtful financing and have satisfied themselves that all known bad financing had been written off and that adequate allowances had been made for doubtful financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing or the amount of allowances for doubtful financing in the financial statements of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Bank, have been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Bank which has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank that would render any amount stated in the financial statements misleading.

DIRECTORS

The Directors of the Bank who served on the Board since the beginning of the current financial year to the date of this report are:

YBhg Dato' Sri Abdul Hamidy Abdul Hafiz
Hajjah Rosmah Ismail
Puan Farina Farikhullah Khan
Encik Azlan Baqee Abdullah
Dr Mohd Nordin Mohd Zain
Mr K. Vithyatharan A/L V Karunakaran

DIRECTORS' INTERESTS

Under the Bank's Constitution, the Directors are not required to hold shares in the Bank.

None of the Directors in office at the end of the financial year had any interest in shares in the Bank and related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 38 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest except for related party transactions as shown in Note 44 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to any arrangements whose objective is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

The details of the directors' remuneration paid or payable to the directors of the Bank during the financial year are as follows:

	RM'000
Fees	910
Other emoluments	830
Benefits-in-kind	34
	1,774

CORPORATE GOVERNANCE

(a) DIRECTORS' PROFILES

YBHG DATO' SRI ABDUL HAMIDY ABDUL HAFIZ
Chairman/Independent Non-Executive Director

Dato' Sri Abdul Hamidy bin Abdul Hafiz ("Dato' Sri Hamidy"), a Malaysian, aged 67, was appointed as Chairman/Independent Non-Executive Director ("INED") of AmBank Islamic on 1 April 2017. He is the Chairman of Board Credit Committee ("BCC") of AmBank Islamic. He is also an INED and the Chairman of BCC of AmBank (M) Berhad.

Dato' Sri Hamidy holds a Bachelor's Degree and a Master in Business Administration from Ohio University, USA.

Dato' Sri Hamidy is an experienced banker with over 30 years of extensive banking experience in the fields of Commercial and Finance Banking, Investment Banking and Islamic Banking. Dato' Sri Hamidy was previously the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad and prior to that, Dato' Sri Hamidy was the Chairman of Danajamin Nasional Berhad. He was also previously the Managing Director/Chief Executive Officer of Affin Bank Berhad, Chairman of the Association of Banks Malaysia, Managing Director of Pengurusan Danaharta Nasional Berhad and a Director of Chubb Insurance Malaysia Berhad. Dato' Sri Hamidy also served as the Chairman of Corporate Debt Restructuring Committee ("CDRC") from 2009 until the end of February 2020. He had, in November 2022, retired from the Board of Sime Darby Berhad.

Dato' Sri Hamidy currently serves as a member of the Appeals Committee of Bursa Malaysia.

Dato' Sri Hamidy has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

HAJJAH ROSMAH ISMAIL
Independent Non-Executive Director

Hajjah Rosmah Ismail ("Hjh Rosmah"), a Malaysian, aged 60, was appointed as an Independent Non-Executive Director of AmBank Islamic on 1 April 2017. She is a Member of the Board Credit Committee of AmBank Islamic.

Hjh Rosmah graduated with a Master of Laws (LLM) in Banking Law specialising in Banking, Securities Law and Islamic Finance from the International Islamic University of Malaysia with Top Honours as the Best Postgraduate Student and the Bachelor of Science (Economics) Honours degree in International Relations from the London School of Economics & Political Science (University of London) in United Kingdom. She is also a holder of the Takaful License Certificate (Distinction) from the Malaysian Institute of Insurance, Certificate in Fintech from SAID Business School, Oxford University, United Kingdom and a Chartered Fellow Islamic Finance of Chartered Institute of Islamic Finance Professionals.

Hjh Rosmah is an international banker with a total of more than 25 years at international banks in Malaysia and overseas, covering Conventional and Islamic Finance across both corporate and consumer client segments across all banking products, and 3 years in financial consultancy including Price Waterhouse Associates. During her career, she has been commended by top international Shariah Advisors for having authored among the best Shariah Compliance, Risk and Business Operational Policy & Procedures Manual for Islamic Banking and Finance. She has set up Islamic Banking entities in the Middle East and Malaysia, and the businesses under her leadership had also won corporate awards during her tenure. Hjh Rosmah is also on the Board of Protakaful Unity Ltd, UK.

Hjh Rosmah has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

PUAN FARINA FARIKHULLAH KHAN
Independent Non-Executive Director

Puan Farina Farikhullah Khan ("Pn Farina"), a Malaysian, aged 52, was appointed as an Independent Non-Executive Director ("INED") of AmBank Islamic on 14 April 2017. She is currently a Member of the Risk Management Committee and Audit and Examination Committee of AmBank Islamic. She is also an INED of AMMB Holdings Berhad ("AMMB") and the Chairman of Group Nomination & Remuneration Committee and a Member of the Audit and Examination Committee of AMMB.

Pn Farina graduated from the University of New South Wales in Australia with a Bachelor of Commerce in Accounting in 1993. She is a Fellow of The Institute of Chartered Accountants in Australia and New Zealand. She has also completed the Advanced Management Program at Harvard Business School in the USA.

Pn Farina has over 30 years working experience, predominantly in oil and gas industry. She started out her career in 1994 with Coopers & Lybrand, Australia.

In 1997, Pn Farina returned to Malaysia to join Petroliam Nasional Berhad ("PETRONAS") in the Corporate Planning and Development Division where she started as an executive and in the ensuing years until 2005, she held various positions including Senior Manager (Strategy and Portfolio) in Group Strategic Planning of PETRONAS.

Pn Farina subsequently assumed the position of the Chief Financial Officer of PETRONAS Carigali Sdn Bhd, one of the largest subsidiaries of PETRONAS with operations in over 20 countries, from 2006 to 2010. She then served as the Chief Financial Officer at PETRONAS Exploration and Production Business, the largest arm of PETRONAS Business, from mid-2010 until end of 2013, where the business included both PETRONAS Carigali Group of Companies as well as the Petroleum Management Unit of PETRONAS.

Prior to leaving PETRONAS Group at the end of 2015 to pursue her other interests, Pn Farina was the Chief Financial Officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS, for two years.

Pn Farina had also previously served on the Board of various PETRONAS entities such as Progress Energy Canada Ltd as well as a number of PETRONAS joint venture entities with foreign partners. Currently, she is a Senior Independent Director of EnQuest PLC, UK and an Independent Director of Petronas Gas Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn Bhd and Icon Offshore Berhad.

Pn Farina has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

ENCIK AZLAN BAQEE ABDULLAH
Non-Independent Non-Executive Director

Encik Azlan Baqee Abdullah ("Encik Azlan Baqee"), a Malaysian, aged 60, was appointed as a Non-Independent Non-Executive Director of AmBank Islamic on 3 July 2017. He is a Member of the Board Credit Committee of AmBank Islamic.

Encik Azlan Baqee obtained a Bachelor of Science in Business Administration, majoring Accounting and Finance from the California State University, Chico in 1985.

Encik Azlan Baqee started his early career in Banking in 1986 at MUI Bank and subsequently joined Arab-Malaysian Finance Berhad in 1988. In 1990, he joined the conglomerate Amcorp Group Berhad ("Amcorp") and undertook various property management and development projects including Amcorp Trade Centre in Petaling Jaya, Kayangan Heights in Shah Alam, Sibu Jaya Township in Sarawak, and various other mid-sized projects throughout Malaysia.

In 2007, Encik Azlan Baqee was appointed as the Chief Operating Officer of Amcorp Properties Berhad ("AMPROP"), a listed subsidiary of Amcorp, and he was primarily responsible for expanding into overseas markets such as London, Tokyo, Madrid, Hong Kong, Singapore and Shanghai as well as diversifying the Group's business into Sustainable Renewable Energy by establishing Solar and also Mini Hydro Power Plants in Malaysia.

Encik Azlan Baqee was previously an Exco member of KESAS Sdn Bhd, the concession holder and operator of the Shah Alam Expressway. Currently, he is a Board Member of AmREIT Holdings Sdn Bhd and AmREIT Managers Sdn Bhd and serves as board member of the subsidiaries within Amcorp and AMPROP groups. He also serves as Industry Advisory Panel for Azman Hashim International Business School at University Teknologi Malaysia (UTM) and an Exco Member of Amcorp Global Limited, a public company listed on the Singapore Stock Exchange.

Encik Azlan Baqee has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

DR MOHD NORDIN MOHD ZAIN
Independent Non-Executive Director

Dr Mohd Nordin Mohd Zain ("Dr Nordin"), a Malaysian, aged 65, was appointed as an Independent Non-Executive Director ("INED") of AmBank Islamic on 16 January 2019. He is the Chairman of the Audit and Examination Committee ("AEC") and a Member of the Risk Management Committee ("RMC") of AmBank Islamic. He is also an INED of AmMetLife Takaful Berhad ("AmMetLife Takaful") and the Chairman of AEC and a Member of the RMC and Nomination and Remuneration Committee of AmMetLife Takaful.

Dr Nordin has over 35 years of experience in banking, education, regulatory agency and professional practice. He started his career in internal audit and corporate banking for 6 years, in academic for 10 years, as a Chief Executive Officer for the Malaysian Accounting Standards Board ("MASB") for 10 years and as a Partner in Deloitte for 8 years.

Dr Nordin holds a PhD in Strategic Management from Strathclyde University, UK in 1995 and Masters and Bachelor degrees in Accounting from the USA in the 80's. A Chartered Accountant, a member of Malaysian Institute of Accountants ("MIA") and a Fellow of Institute of Public Accountants Australia ("FIPA"), he previously served as a Council member of Certified Public Accountants, Australia and MIA, and a founding member of MASB.

Dr Nordin currently sits on the boards of Gopeng Berhad, Beverly Heights Homeowners Berhad and the IPA Australia in Melbourne. He is also a Trustee of AmGroup Foundation. He serves as an investment committee member of a subsidiary of AIA Berhad and a member of the Finance and Investment Committee of Majlis Agama Islam Wilayah Persekutuan (MAIWP).

Dr Nordin was a former Board member of UDA Holdings Berhad, MTD Capital Berhad, Zurich General Takaful Malaysia Berhad and Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain UAE and used to serve as a member of Public Accountants Oversight Committee in Brunei.

Dr Nordin has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

MR K. VITHYATHARAN A/L V KARUNAKARAN
Independent Non-Executive Director

Mr K. Vithyatharan A/L V Karunakaran (“Mr Vithyatharan”), a Malaysian, aged 67, was appointed as an Independent Non-Executive Director (“INED”) of AmBank Islamic on 28 September 2021. He is currently the Chairman of the Risk Management Committee and a Member of the Audit and Examination Committee of AmBank Islamic.

Mr Vithyatharan is a member of The Malaysian Institute of Certified Public Accountants (MICPA) and The Malaysian Institute of Accountants (MIA). He has attended executive leadership programs, including Harvard Business School, Boston.

Mr Vithyatharan is an experienced leader in finance, credit, audit, risk management, business and strategy (financial institutions) with local and overseas work experience. He also has had extensive experience in audit of listed companies in Malaysia, Singapore, London, Bahrain and Qatar in various sectors in banking and finance, securities and insurance. He has extensive experience dealing with the Board of Directors of financial institutions, especially Board audit and risk management committees, having dealt with them for more than 20 years in various roles, with KPMG as director and full time executive of banks and as the Acting CEO of ACR Retakaful Bahrain.

Mr Vithyatharan served as a Director of Audit and Financial Services of KPMG Bahrain and Qatar from 2005 to 2011. He also served with KPMG in Malaysia from 1988 to 1997, in London from 1991 to 1993 and in Singapore from 2001 to 2002. He has held senior positions in Citibank and RHB Bank. He was an INED of FWD Takaful Berhad (formerly known as HSBC Amanah Takaful (Malaysia) Berhad) from May 2015 to May 2021.

Mr Vithyatharan has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(b) DIRECTORS' TRAINING

The Board recognised the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Bank’s strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, people initiatives, requirements of audit, compliance and risk management conducted by the various Managing Directors/Chief Executive Officers/Heads of the business units as well as Senior Management, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a Director, Board Charter, Code of Ethics, Constitution of the Bank, Board Committees’ Terms of Reference and Schedule of Matters Reserved for the Board, amongst others.

Apart from the Financial Institutions Directors’ Education ("FIDE") Programme accredited by The International Centre for Leadership in Finance ("ICLIF"), all Directors appointed to the Board have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank. The Directors also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to AMMB Group’s (including AmBank Islamic's) strategic direction. In addition, the Directors are constantly updated on information relating to AMMB Group’s development and industry development through discussion at Board meetings with the Senior Management team.

CORPORATE GOVERNANCE (CONT'D.)

(c) BOARD RESPONSIBILITY AND OVERSIGHT

The Board remains fully committed in ensuring that the principles and recommendations in corporate governance are applied consistently in the Bank. The Board complies with the recommendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2021.

The Board supervises the management of the Bank’s businesses, policies and affairs with the goal of long term sustainability of the Bank. The Board met ten (10) times during the financial year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholder's meetings by law), promote sustainability in the Bank's business strategies and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments. The Board also gives due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of business, affairs or activities of the Bank and approves policies relating to Shariah matters upon consultation with the Shariah Committee.

The Board currently comprises six (6) Directors with wide skills and experience, five (5) of whom are Independent Non-Executive Directors. The Directors participate fully in decision-making on key issues regarding the Bank. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the CEO of the Bank. The Senior Management team of the Bank is invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(d) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Board Committees together with the Committees established at AMMB Group level which were created to assist the Board in certain areas of deliberations, are:

1. Audit and Examination Committee (at Bank level);
2. Risk Management Committee (at Bank level);
3. Board Credit Committee (at Bank level);
4. Group Nomination and Remuneration Committee (at AMMB Group level); and
5. Group Information Technology Committee (at AMMB Group level).

The roles and responsibilities of each Committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for notation.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:-

Number of meetings attended in Financial Year 2024 ("FY2024")				
	Board of Directors	Audit and Examination Committee	Risk Management Committee	Board Credit Committee
YBhg Dato' Sri Abdul Hamidy Abdul Hafiz	9/10 (Chairman)	N/A	N/A	23/23 (Chairman)
Hajjah Rosmah Ismail	10/10	N/A	N/A	23/23
Puan Farina Farikhullah Khan	9/10	6/7	7/8	N/A
Encik Azlan Baqee Abdullah	10/10	N/A	N/A	23/23
Dr Mohd Nordin Mohd Zain	10/10	7/7 (Chairman)	8/8	N/A
Mr K. Vithyatharan A/L V Karunakaran	10/10	7/7	8/8 (Chairman)	N/A
Number of meetings held in FY2024	10	7	8	23

Notes:

1. All attendances reflect the number of meetings attended during the Directors' tenure of service.
2. N/A represents non-Committee member.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Audit and Examination Committee ("AEC")

The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank’s assets and stakeholders' interests. The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors.

The Committee reviews the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The Committee also follows up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in their audit reports. The financial statements are reviewed by the Committee prior to their submission to the Board of the Bank for approval.

In addition, the Committee reviews and reports to the Board any related party transactions and conflict of interest situations that may arise within the Bank.

The Committee met seven (7) times during the financial year ended 31 March 2024.

Internal Audit Function

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit’s annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor whenever necessary.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Internal Audit Function (Cont'd.)

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

Group Internal Audit prioritises its efforts in performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of banking activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and projects to advise on risk management and internal control measures.

Risk Management Committee ("RMC")

Risk management is an integral part of the Bank's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level and also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The RMC exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, funding, operational, legal, regulatory, capital, strategic, reputation, shariah, information technology and cyber risks impacting the Bank.

The Committee is independent from management and comprises three (3) members, all of whom are Independent Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning and reviews high-level risk exposures to ensure that they are within the overall interests of the Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

The Committee met eight (8) times during the financial year ended 31 March 2024.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Risk Management Functions

The AMMB Group Risk Management is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the AMMB Group. The AMMB Group Risk Management encompasses Wholesale Credit Risk, Business Credit Risk, Retail Credit Risk, Investment Banking and Markets Risk, Operational Risk, Technology Risk, Governance and Provisioning (which is responsible for the development of credit models) and Credit Model Validation.

AMMB Group Risk Management takes its lead from the AMMB Group Board's approved Risk Appetite Framework that forms the foundation of AMMB Group to set its risk/reward profile. The framework is reviewed and approved annually by the Board taking into account AMMB Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is also periodically reviewed throughout the financial year by the executive management and subsequently the Board to consider any fine tuning/enhancements based on the prevailing economic condition or situation that may affect the operating environment which AMMB Group operates in.

AMMB's Group Management Risk Committee meets at least 6 times a year to review and deliberate on all risk related matters, such as framework, policies, methodologies and limits; and to review and monitor AMMB Group's major risk exposures. It also ensures that AMMB Group's business and operational activities are in line with the overall AMMB Group's risk appetite, strategy and profile. In addition, all frameworks, policies and guidelines are required to be reviewed at least once every 2 years to ensure they remain relevant.

Board Credit Committee ("BCC")

The Board has established the BCC to assist in ensuring that credit facilities and commitments, and connected party credit transactions are approved in accordance with policies approved by the Board. The Committee comprises three (3) members, all of whom are Non-Executive Directors.

The Committee met twenty three (23) times during the financial year ended 31 March 2024.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Group Nomination and Remuneration Committee ("GNRC")

The Board delegated the nomination and remuneration functions to the GNRC which is established at AMMB Group level. The Committee comprises five (5) members, all of whom are Non-Executive Directors and chaired by an Independent Non-Executive Director. The Bank is represented by Puan Farina Farikhullah Khan in the Committee. The Committee is responsible for, among others, the following:-

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank with regard to any changes that are deemed necessary;
- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive Directors should bring to the Board;
- on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;
- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, with the relevant experience and expertise needed to assist in managing AMMB Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the KPI required to be achieved;
- recommending the appointment of Shariah Committee members as well as reviewing the annual performance of the Shariah Committee members and recommending the remuneration for the Shariah Committee members;
- to implement the ESS in accordance with the By-Laws of the ESS or approved by the shareholders of the AMMB; and
- to oversee the sucession planning for the Board Chairman, Directors, Shariah Committee members, Senior Management and expatriate-filled positions in AMMB Group.

The Committee met ten (10) times during the financial year ended 31 March 2024.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Group Information Technology Committee ("GITC")

The Committee is established at AMMB Group level. The Committee comprises three (3) members, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director.

The Committee assists the Board of respective entities of AMMB Group in discharging its responsibilities relating to the oversight of AMMB Group's informationg technology ("IT"), digitalisation and technology related innovation strategies and ensure that the overall strategic IT direction is aligned with AMMB Group’s business objectives and strategy. The key responsibilities of the Committee include, amongst others, the following functions:

- review and recommend AMMB Group-wide IT policies, procedures and frameworks, including IT security and IT risk management and e-banking services to ensure the effectiveness of internal control systems and the reliability of the management information systems;
- provide strategic oversight for IT, digital and cybersecurity development within AMMB Group and ensuring that IT, cybersecurity, digitalisation and technology-related innovation strategic plans are aligned and integrated with AMMB Group’s business objectives and strategy;
- review IT, digital and cybersecurity planning and strategy, including the financial, tactical and strategic benefits of proposed significant information technology-related projects and initiatives;
- review and endorse the long term IT, digital and cybersecurity strategic plans, budgets and monitor the progress of implementation;
- oversee the adequacy and utilisation of AMMB Group’s IT resources, including computer hardware, software, personnel who are involved in the development, modification and maintenance of computer programmes and related standard procedures as well as the recovery controls to mitigate disruption of operations and services;
- ensure the Senior Management regularly provides status updates on both key performance indicators and forward-looking risk indicators together with sufficient information on key technology risks and critical technology operations;
- review and recommend any deviation from Bank Negara Malaysia technology-related policies and guidelines after having carefully considered a robust assessment of related risks;
- responsible for overall oversight function on IT matters including ex-ante risk assessments on e-banking services and the usage of cloud services; and
- advise the Board on matters within the scope of GITC, as well as any major IT related issues that merit the attention of the Board.

The Committee met six (6) times during the financial year ended 31 March 2024.

MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provide input on Bank policies.

HOLDING COMPANY

The Directors regard AMMB Holdings Berhad, which is incorporated in Malaysia, as the holding company.

RATING BY EXTERNAL AGENCIES

The Bank continues to maintain credit ratings with RAM Rating Services Berhad ("RAM").

Rating agency	Date accorded	Rating classification	Ratings
RAM	2 October 2023	Long-term financial institution rating	AA2
		Short-term financial institution rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

The Shariah Committee ("ShC") is responsible and accountable for all Shariah-related decisions, views and opinions. The main functions and duties of the ShC shall include, but are not limited to the following:

1. To advise the Board and the Bank on Shariah matters to ensure that the Bank's business, operations, affairs and activities comply with Shariah requirements at all times.
2. To review and endorse policies and procedures of the Bank from Shariah perspectives, and to ensure that the contents do not contain any elements which are not in line with Shariah requirements.
3. To review and approve the documentations in relation to the Bank's products to ensure that the products are in compliance with Shariah requirements, which may include:
   a) the terms and conditions contained in the forms, contracts, agreements and other legal documentation used in executing the transactions; and
   b) the product manuals, marketing advertisements, sales illustrations, pamphlets and brochures used to describe the product.
4. To provide a decision, advice or opinion on the Bank's business, operations, affairs and activities which may trigger a Shariah non-compliance ("SNC") event.
5. To perform oversight on and assess the strategies, initiatives and work carried out by the Shariah Management Department, in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report. This includes performing the annual assessment of the Head of Shariah Management Department.
6. To perform oversight on the strategies, initiatives and work carried out by the:
   a) Group Compliance Department relating to the Shariah Review function;
   b) Group Risk Management Department relating to the Shariah Risk Management function; and
   c) Group Internal Audit Department relating to the Shariah Audit function,

   in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
7. To provide assistance to parties related to the Bank such as its legal counsel, auditors or consultants on Shariah matters upon request.
8. To advise the Bank to consult the Shariah Advisory Council ("SAC") of BNM or the SAC of Securities Commission Malaysia ("SC") on any Shariah matters that could not be resolved by the ShC;
9. To provide written Shariah opinions to the SAC of BNM or SAC of SC as and when required, including the following circumstances where the Bank:
   a) makes reference to the SAC for advice; or
   b) submits an application to BNM or SC for new product approval.
10. To provide advice and guidance to senior management on the management of the zakat fund, charity and other social programmes or activities.
11. To endorse the Shariah operations manual which specify the manner in which a submission or request for advice be made to the ShC, the conduct of the ShC's meeting and the manner of compliance with any Shariah decision.
12. To oversee the overall SNC management including to endorse purification of SNC income.

SHARIAH COMMITTEE (CONT'D.)

The Shariah Committee (“ShC”) is responsible and accountable for all Shariah-related decisions, views and opinions. The main functions and duties of the ShC shall include, but are not limited to the following (cont'd.):

13. To assist in the Bank’s sustainability and VBI agenda, including in relevant capacity building and awareness creation initiatives.
14. To advise on the application of Shariah requirements in the recovery options and other relevant components of the Recovery Plan that covers the following:
    a) provide direction on how Shariah conditions should be applied to recovery options that are recommended to be prepared in this level of disruption;
    b) ensure that Shariah conditions are adhered to, and address issues related to Islamic financial transactions that may have an influence on the Recovery Plan;
    c) provide advice and clarification on pertinent Shariah decisions, rulings, or policy documents issued by BNM or by any other authority that have an impact on or may have an impact on the Recovery Plan; and
    d) provide opinions on any other Shariah-related situations when required.
15. The Chairman of the ShC, in leading the ShC is responsible for the effective functioning of the ShC. In fulfilling this role, the Chairman must:
    a) ensure appropriate procedures are in place to govern the ShC’s deliberations and proceedings;
    b) act as a direct liaison between the Board and the ShC to foster greater understanding between both organs;
    c) ensure that Shariah decisions or advice are made on a sound and well-informed basis, including based on a robust decision-making methodology which ensures that all business, operations and risk implications are considered by the ShC;
    d) encourage healthy discussion, participation and contribution, and ensure that dissenting views can be freely expressed and discussed; and
    e) ensure sufficient records of the discussion leading to formulation of the ShC’s decision, advice or opinion are maintained.

The ShC may, if it thinks fit and proper and from time to time, delegate, re-delegate, suspend or revoke any powers given to the Shariah Management Department to do certain acts on behalf of the ShC such as review, advice and/or endorse certain materials or issues within the ShC 's terms of reference.

The ShC members also sit in the Shariah Oversight Committee ("SOC"). The SOC is established as a sub-committee of the ShC of the Bank to assist the ShC to oversee the strategies, initiatives and work carried out by the Shariah control functions namely Shariah Review, Shariah Risk Management and Shariah Audit.

Composition of Shariah Committee within the financial year ended 31 March 2024 has fallen below the minimum five (5) members as required by BNM Policy Document on Shariah Governance, due to the resignation of one (1) Shariah Committee member after being appointed as a Senator of Dewan Negara and Deputy Minister at the Prime Minister’s Department (Religious Affairs) on 12 December 2023. However, BNM has provided the exemption for the Shariah Committee to continue to function with four (4) members until 30 April 2024. Effective 1 May 2024, a new ShC member has been appointed, bringing the composition of the ShC back to five (5) members as per the requirement.

SHARIAH COMMITTEE (CONT'D.)

The main functions and duties of SOC shall include, but are not limited to the following:

1. determine whether potential SNC events are actual SNC incidents or not;
2. endorse action plan/rectification measure in addressing SNC incident and purification of income methodology and amount;
3. recommend alternative ways to rectify issues found through Shariah Audit, Shariah Review and Shariah Risk Management activities and/or other credible sources;
4. provide advice on the recognition of income pursuant to SNC events and/or its disposal;
5. recommend possible implementation methods to improve the Bank's business activities vis-à-vis Shariah in line with applicable statutes and guidelines/policies/circulars issued by relevant regulatory bodies.

The ShC met five (5) times and the SOC met seven (7) times during the financial year ended 31 March 2024.

The attendance of the members at the meetings of ShC and SOC is set out below:

Number of Meetings Attended in Financial Year Ended 31 March 2024

	Shariah Committee	Shariah Oversight Committee
Assoc. Prof. Dr. Ahmad Zaki Salleh (Chairman)	5/5	7/7
Assoc. Prof. Dr. Zulkifli Hasan*	4/4	3/3
Assoc. Prof. Dr. Mohd Zakhiri Md Nor**	1/1	NA****
Encik Mohd Fadhly Md Yusoff	5/5	7/7
Prof. Dr. Salina Kassim	4/5	6/7
Encik Ismail Nik	5/5	7/7
Assoc. Prof. Dr Mohd Edil Bin Abd Sukor***	0/5	0/7
Number of meetings held in FY2024	5	7

* Resigned on 12 December 2023 due to appointment as a Senator of Dewan Negara and Deputy Minister at the Prime Minister's Department (Religious Affairs)

** Tenure ended on 30 April 2023

*** Appointed on 1 May 2024

**** NA represent non-committee member

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. The details of the auditor's remuneration for the financial year as follows:

	RM'000
Auditors' remuneration	
Audit	347
Regulatory and assurance related	278
Other services	53
	678

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ
Director

DR MOHD NORDIN MOHD ZAIN
Director

Kuala Lumpur, Malaysia
27 May 2024

Registration No. 199401009897 (295576–U)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' SRI ABDUL HAMIDY ABDUL HAFIZ** and **DR MOHD NORDIN MOHD ZAIN**, being two of the Directors of **AMBANK ISLAMIC BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 40 to 218 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2024 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ	**DR MOHD NORDIN MOHD ZAIN**
Director	Director

Kuala Lumpur, Malaysia
27 May 2024

Registration No. 199401009897 (295576–U)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251 (1)(b) OF THE COMPANIES ACT 2016

I, **SHAFIQ BIN ABDUL JABBAR**, being the Officer primarily responsible for the financial management of **AMBANK ISLAMIC BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 218 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

SHAFIQ BIN ABDUL JABBAR
(MIA Number: 23405)

Subscribed and solemnly declared by the abovenamed **SHAFIQ BIN ABDUL JABBAR** at Kuala Lumpur in the State of Wilayah Persekutuan this 27 May 2024, before me

COMMISSIONER FOR OATHS

Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
Telephone Number: 03-20362633

PESURUHJAYA SUMPAH
W 840
SURIAMUTHY A/L RAJOO,P.P.W.
01.01.2024 - 22.07.2025
MALAYSIA
Tingkat 20, Ambank Group Building
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Most Compassionate, The Most Merciful,

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

'Assalamualaikum warahmatullahi wabarakatuh'

To the shareholders, depositors and customers of AmBank Islamic Berhad ("the Bank"):

We hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 March 2024.

Shariah advisory services were provided on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Council of Bank Negara Malaysia.

The Bank’s senior management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to produce this report.

Through our sub-committee, being the Shariah Oversight Committee, we have assessed the work carried out by Shariah Risk Management; as well as the work carried out by Shariah Review and Shariah Audit which included examining, on a test basis, each type of transactions, the relevant documentation and procedures adopted by the Bank.

The reviews were planned and performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah principles.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONT'D.)

To the best of our knowledge based on the information provided to us, we are of the opinion that during the financial year ended 31 March 2024:

a) The contracts, transactions and dealings entered into by the Bank and legal documents used by the Bank, that we have reviewed and assessed are in compliance with Shariah principles;

b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

c) There was one (1) Shariah non-compliant ("SNC") incident involving non-performance of Murabahah Tawarruq trading for AmMoneyLine Facility-i involving four (4) accounts due to wrong selection of product code in the system. The SNC income from this incident of RM32,505 is to be purified by channeling to charity. The system has been enhanced to mitigate the recurrence; and

d) The calculation of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of the Bank, do hereby confirm to the best of our knowledge that the operations of the Bank for the financial year ended 31 March 2024, save for one (1) incident declared above, have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us all the success and straightforwardness and Allah knows best.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONT'D.)

On behalf of the Shariah Committee

ASSOC. PROF. DR. AHMAD ZAKI SALLEH
Chairman of the Committee

ENCIK MOHD FADHLY MD YUSOFF
Member of the Committee

Kuala Lumpur, Malaysia
27 May 2024

Building a better
working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
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Registration No. 199401009897 (295576-U)

**Independent auditors' report to the member of
AmBank Islamic Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmBank Islamic Berhad, which comprise the statement of financial position as at 31 March 2024 of the Bank, and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 40 to 218.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2024, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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**Independent auditors' report to the member of AmBank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the directors' report and Shariah committee's report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Registration No. 199401009897 (295576-U)

**Independent auditors' report to the member of AmBank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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Registration No. 199401009897 (295576-U)

Independent auditors' report to the member of AmBank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Qadri bin Jahubar Sathik
No. 03254/05/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 May 2024

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and short-term funds	6	775,179	2,113,367
Derivative financial assets	7	41,917	36,363
Financial assets at fair value through profit or loss	8	3,235,806	2,576,789
Financial investments at fair value through other comprehensive income	9	6,713,908	6,522,124
Financial investments at amortised cost	10	3,859,657	4,179,986
Financing and advances	11	44,982,387	44,961,875
Statutory deposit with Bank Negara Malaysia	12	920,000	880,000
Deferred tax assets	24	52,425	62,072
Other assets	13	1,560,059	497,799
Property and equipment	14	251	324
Right-of-use assets	15	1,981	2,284
Intangible assets	16	220	298
TOTAL ASSETS		62,143,790	61,833,281
LIABILITIES AND EQUITY			
Deposits from customers	17	48,234,293	45,252,510
Investment accounts of customers	18	14,059	16,474
Deposits and placements of banks and other financial institutions	19	2,915,211	4,763,220
Investment account due to a licensed bank	20	1,366,363	1,538,521
Recourse obligation on financing sold to Cagamas Berhad	21	2,215,002	3,315,004
Derivative financial liabilities	7	41,030	36,814
Term funding	22	834,977	834,907
Subordinated Sukuk	23	1,300,000	1,300,000
Other liabilities	25	436,696	371,117
Provision for zakat		3,218	4,172
TOTAL LIABILITIES		57,360,849	57,432,739
Share capital	26	1,387,107	1,387,107
Reserves	27	3,395,834	3,013,435
Equity attributable to equity holder of the Bank		4,782,941	4,400,542
TOTAL LIABILITIES AND EQUITY		62,143,790	61,833,281
COMMITMENTS AND CONTINGENCIES	47	14,330,865	14,038,732
NET ASSETS PER SHARE (RM)		9.67	8.90

The accompanying notes form an integral part of the financial statements.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	2024 RM'000	2023 RM'000
Income derived from investment of depositors' funds	28	2,680,535	2,173,852
Income derived from investment of investment account funds	29	64,778	61,106
Income derived from investment of shareholder's funds	30	252,173	202,441
Allowances for impairment on financing and advances	31	(198,628)	(163,758)
Allowances for impairment on financial investments	32	(20,476)	(8,808)
Writeback of impairment on other financial assets	33	54,353	143
Allowances for impairment on non-financial assets		(39)	-
Writeback of provision/(Provision) for commitments and contingencies	34	11,881	(7,474)
Total distributable income		2,844,577	2,257,502
Income attributable to the depositors and others	35	(1,661,423)	(1,089,037)
Income attributable to the investment account holders	36	(57,918)	(53,736)
Total net income		1,125,236	1,114,729
Other operating expenses	37	(473,364)	(335,200)
Finance costs	40	(93,568)	(87,469)
Profit before zakat and taxation		**558,304**	**692,060**
Zakat		(3,465)	(3,789)
Taxation	41	(124,267)	(156,340)
Profit for the financial year		**430,572**	**531,931**
Basic/diluted earnings per share (sen)	42	87.10	107.60

The accompanying notes form an integral part of the financial statements.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	2024 RM'000	2023 RM'000
Profit for the financial year	430,572	531,931
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments		
Financial investments at fair value through other comprehensive income:		
Net changes in fair value	28,443	(86)
Expected credit loss	3,202	(5,287)
Net gain reclassified to statement of profit or loss	(9,527)	75
Income tax effect (Note 24)	(4,540)	3
Other comprehensive income/(loss) for the financial year, net of tax	17,578	(5,295)
Total comprehensive income for the financial year	448,150	526,636

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

		Attributable to Equity Holder of the Bank				
			Non-distributable		Distributable	
	Note	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2022		1,387,107	-	(3,893)	2,490,692	3,873,906
Profit for the financial year		-	-	-	531,931	531,931
Other comprehensive loss		-	-	(5,295)	-	(5,295)
Total comprehensive (loss)/income for the financial year		-	-	(5,295)	531,931	526,636
At 31 March 2023		1,387,107	-	(9,188)	3,022,623	4,400,542
At 1 April 2023		1,387,107	-	(9,188)	3,022,623	4,400,542
Profit for the financial year		-	-	-	430,572	430,572
Other comprehensive income		-	-	17,578	-	17,578
Total comprehensive income for the financial year		-	-	17,578	430,572	448,150
Transfer to regulatory reserve		-	43,368	-	(43,368)	-
Dividend on ordinary shares:						
- interim, financial year ended 31 March 2024	43	-	-	-	(65,751)	(65,751)
Other equity movements		-	43,368	-	(109,119)	(65,751)
At 31 March 2024		1,387,107	43,368	8,390	3,344,076	4,782,941

The accompanying notes form an integral part of the financial statements.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and taxation		558,304	692,060
Adjustments for:			
Net accretion of discount on securities		(94,919)	(62,526)
Net amortisation of premium on term funding	22 (b)	70	71
Allowances for impairment on financing and advances	31	305,470	294,473
Amortisation of intangible assets	16, 37	89	345
Impairment loss on intangible assets		39	-
Depreciation of property and equipment	14, 37	175	116
Depreciation of right-of-use assets	15, 37	303	412
Finance cost for lease liabilities	25 (a), 37	59	88
Finance cost for provision for reinstatement of leased premises	25 (b), 37	1	2
Gain on disposal of financial assets at fair value through profit or loss	28, 30	(3,811)	(3,256)
Loss/(Gain) on revaluation of financial assets at fair value through profit or loss	28, 30	1,880	(2,109)
(Gain)/Loss on disposal of financial investments at fair value through other comprehensive income	28, 30	(9,527)	75
(Writeback of)/Allowances for impairment losses on financial investments and other financial assets	32, 33	(33,877)	8,665
Gain on revaluation of derivatives		(1,340)	(7,925)
Amortisation for shares granted under AMMB ESS - charge	37	1,094	654
Unrealised loss on revaluation of hedged item arising from fair value hedge	9	2,310	7,973
(Writeback of provision)/Provision for commitments and contingencies	34	(11,881)	7,474
Net adjustment on COVID-19 relief measures		(19,521)	(25,664)
Operating profit before working capital changes		694,918	910,928

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONT'D.)

	Note	2024 RM'000	2023 RM'000
Increase in operating assets:			
Financial assets at fair value through profit or loss		(596,220)	(1,554,550)
Financing and advances		(316,662)	(6,572,391)
Statutory deposit with Bank Negara Malaysia		(40,000)	(713,000)
Other assets		(1,014,949)	(234,590)
Increase/(decrease) in operating liabilities:			
Deposits from customers		2,981,783	7,662,260
Investment accounts of customers		(2,414)	(361,387)
Deposits and placements of banks and other financial institutions		(1,837,808)	1,124,360
Investment account due to a licensed bank		(172,157)	(172,142)
Other liabilities		73,118	(45,889)
Recourse obligation on financing sold to Cagamas Berhad		(1,100,002)	1,815,004
Cash (used in)/generated from operating activities		(1,330,393)	1,858,603
Zakat paid		(4,419)	(1,747)
Tax paid		(112,732)	(134,271)
Net cash (used in)/generated from operating activities		(1,447,544)	1,722,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial investments at fair value through other comprehensive income		(126,673)	(2,046,738)
Disposal/(Purchase) of financial investments at amortised cost		302,282	(1,161,035)
Purchase of intangible assets	16	(50)	(148)
Purchase of property and equipment	14	(102)	(72)
Net cash generated from/(used in) investing activities		175,457	(3,207,993)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	43	(65,751)	-
Rental payment for lease liabilities	25 (a)	(342)	(463)
Issuance of Subordinated Sukuk	23	500,000	150,000
Repayment of Subordinated Sukuk	23	(500,000)	(150,000)
Net cash used in financing activities		(66,093)	(463)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONT'D.)

	Note	2024 RM'000	2023 RM'000
Net decrease in cash and cash equivalents		(1,338,180)	(1,485,871)
Cash and cash equivalents at beginning of the financial year		2,113,375	3,599,246
Cash and cash equivalents at end of the financial year		775,195	2,113,375
Cash and cash equivalents comprise:			
Cash and short-term funds	6	775,179	2,113,367
Allowances for expected credit loss for cash and cash equivalents	6	16	8
		775,195	2,113,375

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Bank is a licensed Islamic banking institution providing Islamic retail and non-retail banking products and services in accordance with Shariah principles. There has been no significant change in the nature of the activities of the Bank during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

The Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("AMMB"), a company incorporated in Malaysia. AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements of the Bank have been approved and authorised for issue by the Board of Directors on xx April 2024.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the financial statements.

In the preparation of these financial statements, the management of the Bank has made an assessment on the ability of the Bank to continue as going concern. From the assessment, the management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Bank's ability to continue as going concern, hence the financial statements have been prepared on a going concern basis.

2.2 Statement of compliance

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date ("current") and more than 12 months after the reporting date ("non-current") is presented in Note 48.

2.4 Summary of material accounting policies

2.4a Foreign currencies

(i) Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The Bank's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Bank at its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot exchange rate at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively).

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4b Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The annual depreciation rates for the various classes of property and equipment are as follows:

Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.33%
Office equipment, furniture and fittings	10% to 50%

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if the expectations differ from previous estimates.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4c Leases

The determination of whether an arrangement is, or contains, a lease is based on whether the arrangement conveys a right to control the use of the asset, even if that right is not explicitly specified in an arrangement.

(i) The Bank as a lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased assets are available for use by the Bank.

At the commencement date of the leases, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received (if any). Where applicable, the cost of right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Unless the Bank is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Bank is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the right-of-use assets are depreciated over the underlying asset’s useful life.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4c Leases (Cont'd.)

(i) The Bank as a lessee (Cont'd.)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term of the assets, as follows:

Premises	50 years or over the term of short term lease
Computer equipment	3 to 8 years

Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

The Bank applies the short-term lease recognition exemption to its short-term leases, i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value, i.e. those with a value of RM20,000 or less when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.4d Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4d Intangible assets, other than goodwill arising from business combination (Cont'd.)

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually, or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual software project are recognised as an intangible asset when the Bank can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development; and
- the ability to use the intangible asset generated.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4d Intangible assets, other than goodwill arising from business combination (Cont'd.)

(i) Research and development costs (Cont'd.)

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 10 years. During the period of development, the asset is tested for impairment annually.

2.4e Financial instruments – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. The Bank applies trade date accounting for derivative financial instruments and investments in equity instruments, and settlement date accounting for investments in debt instruments.

(ii) Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4e Financial instruments – initial recognition and measurement (Cont'd.)

(iii) “Day 1” profit or loss

At initial measurement, if the transaction price differs from the fair value, the Bank immediately recognises the difference between the transaction price and fair value (a “Day 1” profit or loss) provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and the fair value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

2.4f Financial assets – classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

The classification requirements for debt instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

Business model

The business model reflects how the Bank manages the financial assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Bank in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

The classification requirements for debt instruments are described below (Cont'd.):

(i) Debt instruments (Cont'd.)

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial assets' contractual cash flows represent solely payment of principal and profit ("SPPP"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic financing arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPP.

Based on these factors, the Bank classifies the debt instruments into one of the following three measurement categories:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPP, and that are not designated at FVTPL, are measured at amortised cost using the effective profit method. The carrying amount of these assets is adjusted by any expected credit loss allowances recognised and measured using the methodology described in Note 2.4k. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate ("EPR"). The EPR amortisation is included in “profit income” in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in “impairment losses on financial investments” for sukuk, “impairment losses on financing and advances” for financing and advances or “doubtful receivables” for losses other than sukuk, financing and advances.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

The classification requirements for debt instruments are described below (Cont'd.):

(i) Debt instruments (Cont'd.)

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPP, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through OCI, except for profit income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Profit earned whilst holding the assets are reported as "profit income" using the effective profit method. The losses arising from impairment are reclassified from OCI to profit or loss in “impairment losses on financial investments”. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss and recognised in "other operating income".

FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within “other operating income”. Profit earned whilst holding the assets are reported as "profit income" using the effective profit method.

In addition, financial assets that meet the criteria for amortised cost or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in profit or loss and presented within “other operating income”. Profit earned are recognised in “profit income” using the effective profit method.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

(ii) Reclassification of debt investments

The Bank reclassifies debt investments when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial year.

2.4g Financial liabilities – classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- financial liabilities at FVTPL; and
- financial guarantee contracts and financing commitments (see Note 2.4q).

(i) Amortised cost

Financial liabilities issued by the Bank, that are not designated at FVTPL, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other financings are subsequently measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4g Financial liabilities – classification and subsequent measurement (Cont'd.)

(i) Amortised cost (Cont'd.)

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(ii) FVTPL

This classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in OCI (being the amount of change in the fair value of the financial liability that is attributable to changes in credit risk of that liability) and partially in profit or loss (i.e. the remaining amount of change in fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

2.4h Derecognition of financial instruments

(i) Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred rights to receive cash flows from the asset or assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
    - the Bank has transferred substantially all the risks and rewards of the asset; or
    - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4h Derecognition of financial instruments (Cont'd.)

(i) Derecognition of financial assets (Cont'd.)

When the Bank has transferred rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

(ii) Modification of financing and advances

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the financing;
- Significant extension of the financing term when the customer is not in financial difficulty;
- Significant change in the profit rate;
- Change in the currency the financing is denominated in; or
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new EPR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk ("SICR") has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4h Derecognition of financial instruments (Cont'd.)

(ii) Modification of financing and advances (Cont'd.)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EPR.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EPR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as the currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. The difference in the respective carrying amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial liability and are amortised over the remaining term of the modified financial liability.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4i Securities borrowing and lending

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “other operating income”.

2.4j Fair value measurement

The Bank measures financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Bank.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4j Fair value measurement (Cont'd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and/or

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets or liabilities that are recognised at fair value in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of the following are disclosed in Note 51:

a) financial instruments that are measured at fair value; and
b) financial assets and financial liabilities that are not measured at fair value, but for which fair value is disclosed.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4k Financial instruments - expected credit losses ("ECL")

The Bank assesses on a forward-looking basis the ECL associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss, except for debt instruments measured at FVOCI. Profit income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. If, in the subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring or a change in forward-looking adjustments after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowances account.

For financing commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a financing and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the financing component, the ECL on the undrawn commitment are recognised together with the loss allowances for the financing. To the extent that the combined ECL exceeds the gross carrying amount of the financing, the ECL are recognised as a provision.

The methodology applied in measuring ECL is explained in Note 50.2.

Financing together with the associated allowances are written off when the Bank has exhausted all practical recovery efforts and there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Bank. The Bank may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4k Financial instruments - expected credit losses ("ECL") (Cont'd.)

(i) Rescheduled and restructured financing

Where possible, the Bank seeks to reschedule or restructure financing rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been rescheduled or restructured, any impairment is measured using the original EPR as calculated before the modification of terms. Management continually review impaired rescheduled or restructured financing for a certain period to ensure all terms are adhered to and that future payments are likely to occur before reclassification back to performing status.

(ii) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank’s quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as property valuers, mortgage brokers, housing price indices, audited financial statements and other independent sources. (See Note 50.2 for further analysis of collateral).

2.4l Hedge accounting

The Bank makes use of derivative instruments to manage exposures to profit rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4l Hedge accounting (Cont'd.)

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument’s effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Hedge ineffectiveness is recognised in profit or loss. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in “other operating income” in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in “other operating income” in the statement of profit or loss.

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective profit method. EPR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4m Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4n Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill and intangible assets with indefinite useful lives, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4n Impairment of non-financial assets (Cont'd.)

The following asset has specific characteristics for impairment testing:

(i) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4o Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than three months, net of outstanding bank overdrafts.

2.4p Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured with sufficient reliability. The contingent liability is not recognised but instead is disclosed in the financial statements. A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. The Bank does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4q Financial guarantee contracts and financing commitments

Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified customer fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowances (calculated as described in Note 2.4k) and the premium received on initial recognition less income recognised in accordance with the principles of *Revenue from Contract with Customers* ("MFRS 15").

Financing commitments provided by the Bank are measured at the amount of the loss allowances (calculated as described in Note 2.4k).

2.4r Recognition of income and expenses relating to financial instruments

(i) Profit income and similar income and expense

For all profit-bearing financial assets and financial liabilities measured at amortised cost, profit bearing financial investments classified at FVOCI and financial assets and financial liabilities at FVTPL, financing income or expense is calculated using the effective profit method. EPR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EPR, but not future credit losses.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4r Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EPR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EPR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, profit income continues to be recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EPR on the financing.

Income and expense are recognised in accordance with the principles of Shariah. This includes financing provided, deposits accepted and investment account under the following Shariah contracts:

Murabahah

This is a contract of sale of goods/assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income on financing is recognised on EPR basis over the period of the contract based on the principal amounts outstanding.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4r Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

Bai’ Bithaman Ajil

This is a contract of sale and purchase of an asset in which the payment of price is deferred either to be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on EPR basis over the expected life of the contract based on principal amount outstanding.

The Islamic Negotiable Instruments ("INI") can also be structured along the concept of Bai’ Bithaman Ajil for Negotiable Islamic Debt Certificate. Profit attributable to the buyer of the INI will be based on the fixed profit rate which is quoted on the placement date.

Bai' Inah

This is an arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent purchase of the asset at a cash price lower than the deferred sale price or vice versa, and which complies with the specific requirements of Bai' Inah. Income is recognised on EPR basis over the expected life of the contract based on principal amount outstanding.

Tawarruq

This is an arrangement that involves of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis. Income is recognised on EPR basis over the period of the contract based on the principal amounts outstanding.

For Commodity Murabahah term deposits and CASA, profit attributable to the depositors based on the fixed profit rate which is quoted to the customer on the placement date. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in profit or loss as incurred.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4r Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

Al-Ijarah Thumma Al-Bai'

This is a contract of lease ending with the transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two contracts in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on EPR basis over the lease term.

Mudarabah

This refers to a contract between the customer known as an investment account holder and the Bank where the customer agrees to participate in the financial activities undertaken by the Bank and shares the profit generated from financing and/or investment activities based on an agreed Profit Sharing Ratio ("PSR"). Profit is distributed according to the agreed PSR at the point of the contract. The profit attributable to Investment Account Holder is based on the indicative profit rate that may change based on the financial performance of the underlying asset.

Musharakah Mutanaqisah

In Musharakah Mutanaqisah financing, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of the reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Ujrah

Ujrah refers to fee for services rendered. Income is recognised based on a fee charged by the Bank in providing the credit card facility to credit card customers.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4r Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

Wakalah

This refers to an "investment agency" contract where the Bank is appointed as an agent to undertake investment activities on behalf of the customer for a fee. The Bank acts in two capacities - as "Agent" in accepting funds from the customer who plans to invest, and as Investment Manager in carrying out Shariah compliant investment activities as agreed by both parties. The Bank, as an agent, does not guarantee the profit expected from the investments. Profit distributed is based on the expected profit rate which is quoted to the customer on placement date.

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian) but the custodian may provide returns to the depositors as a token of appreciation which is known as hibah.

(ii) Investment and trading income disclosed as other operating income

Results arising from trading activities include all gains and losses from changes in fair value and dividends from financial assets at FVTPL. This includes any ineffectiveness recorded in hedging transactions.

2.4s Recognition of revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer as or when the Bank transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4s Recognition of revenue from contracts with customers (Cont'd.)

A contract with customer exists when the contract has commercial substance, the Bank and its customer have approved the contract and intend to perform their respective obligations, the Bank's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Bank will collect the consideration to which it will be entitled to in exchange of those goods or services.

At the inception of each contract with customer, the Bank assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised.

Revenue is measured at the amount of consideration to which the Bank expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties. If the amount of consideration varies, the Bank estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The consideration allocated to each performance obligation is recognised as revenue as or when the customer obtains control of the goods or services. At the inception of each contract with customer, the Bank determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Revenue is recognised over time if the control over the goods or services are transferred over time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4s Recognition of revenue from contracts with customers (Cont'd.)

The following specific recognition criteria must be met before revenue is recognised:

(i) Fee and commission income

The Bank earns fee and commission income from a diverse range of services provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a period of time

Fees earned for the provision of services over a period of time are accrued over that period by reference to the stage of completion of the services. These fees include financing arrangement, commission income, and other service and advisory fees. Financing commitment fees for financing that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separate performance obligation of the transaction in which the award credits are granted (i.e. a material right). The fair value of the consideration received in respect of the transaction is allocated between the award credits and the other components of the transaction on a relative stand-alone selling price basis. If stand-alone selling price of the other component is uncertain, the Bank estimates the stand-alone selling price by reference to the total transaction price less the fair value of the award credits. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4t Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised as an expense in the financial year in which the associated services are rendered by employees of the Bank and are measured at the amounts paid or expected to be paid when the liabilities are settled. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution pension plan

The Bank makes contributions to the Employee Provident Fund ("EPF") as well as defined contribution private retirement schemes in Malaysia. Such contributions are recognised as an expense in profit or loss in the financial year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

(iii) Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when the Bank is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4t Employee benefits (Cont'd.)

(iv) Share-based payment transactions

The holding company, AMMB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors and employees of AMMB Group based on the financial and performance criteria and such conditions as it may deem fit.

The cost of equity-settled transactions is recognised by the Bank, together with a corresponding increase in the amount payable to, or the amount receivable from, AMMB over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The charge or writeback of shares granted under ESS for the period is recorded in “personnel costs” and represents the movement in cumulative expense recognised from the beginning to the end of that period.

2.4u Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank’s shareholders. Interim dividends are deducted from equity when they are declared.

Dividends for the year that are approved between the end of the reporting period and the date the financial statements are authorised for issue are disclosed as an event after the reporting period.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4v Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior financial years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss. Current taxes relating to items recognised in OCI or directly in equity is recognised in OCI or equity respectively.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4v Taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4w Zakat

This represents business zakat payable by the Bank to comply with Shariah principles approved by the Bank’s Shariah Committee. Zakat provision is calculated by reference to the zakat rate of 2.5775% of the net profit after taxation and is based on percentage of estimated Muslim shareholders of the holding company. The Bank has fulfilled its obligation to pay business zakat to state zakat authorities and has identified eligible beneficiaries (asnaf).

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of material accounting policies (Cont'd.)

2.4x Earnings Per Share ("EPS")

The Bank presents basic and diluted (where applicable) EPS data for its ordinary shares in Note 42. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.4y Segment reporting

Segment reporting in the financial statements is presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Bank about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Reportable segments are operating segments or aggregations of operating segments of similar economic characteristics that meet specific aggregation criteria.

The Bank's segmental reporting is based on the following operating segments: retail banking, business banking, wholesale banking, investment banking and group funding and others, as disclosed in Note 53.

2.4z Government grant

A government grant is recognised only when there is a reasonable assurance that the grant will be received and all attached conditions will be met. It is measured at its fair value and is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The benefit of a government financing at a below-market rate of profit, measured as the difference between the fair value of the financing and proceeds received, is similarly treated as a government grant.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoptions of Amendments to Standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to published standards:

- Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101 *Presentation of Financial Statements*)
- Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)
- Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 *Income Taxes*)
- International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*)

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other amendments to published standards.

The nature of the amendments to published standards relevant to the Bank are described below:

(a) Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101 *Presentation of Financial Statements*)

The amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Classification is unaffected by the expectations or intentions of the entity, as well as events after the reporting date. The adoption of these amendments did not result in any impact to the financial statements of the Bank.

(b) Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)

The amendments require entities to disclose material accounting policies rather than significant accounting policies in the financial statements. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.1 Adoptions of Amendments to Standards (Cont'd.)

The nature of the amendments to published standards relevant to the Bank are described below (Cont'd.):

(b) Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*) (Cont'd.)

An accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the users make based on those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Immaterial accounting policy information need not be disclosed. The adoption of these amendments did not result in any material impact to the financial statements of the Bank.

(c) Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)

The amendments redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty" and provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates.

The amendments further clarified that effects of a change in an input or measurement technique used to develop an accounting estimate (for example, expected credit losses, fair value of an asset or liability, and depreciation for property and equipment) is a change in accounting estimate, if they do not arise from prior period errors. The adoption of these amendments did not result in any material impact to the financial statements of the Bank.

(d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

The amendments clarified that the initial exemption rule from recognising deferred taxes does not apply to transactions where both an asset and a liability are recognised at the same time resulting in equal amounts of taxable and deductible temporary differences. This essentially means that lessees would not be able to apply the initial exemption rule in MFRS 112 for the assets and liabilities arising from leases. The adoption of these amendments did not result in any material impact to the financial statements of the Bank.

(e) International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*)

The amendments introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules. The adoption of these amendments did not result in any impact to the financial statements of the Bank.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective

The following are new amendments to published standards issued but not yet effective up to the date of issuance of the Bank's financial statements. The Bank intends to adopt the relevant amendments to published standards when they become effective.

Description	**Effective for annual period beginning on or after**
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 *Leases*)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Supplier Finance Arrangements (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*)	1 January 2024
Lack of Exchangeability (Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates*)	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures*)	To be determined by MASB

The nature of the new amendments to published standards that are issued and relevant to the Bank but not yet effective are described below. The Bank is assessing the financial effects of their adoption.

(a) Amendments to published standards effective for financial year ending 31 March 2025

Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 *Leases*)

The amendments clarified that after the commencement date, seller-lessee determines lease payments and revised leased payments in a way that does not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

(a) Amendments to published standards effective for financial year ending 31 March 2025 (Cont'd.)

Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements*)

The amendments clarified that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

Supplier Finance Arrangements (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*)

The amendments introduced new disclosure requirements for supplier finance arrangements which include terms and conditions of supplier financing arrangements, the amounts of the liabilities that are the subject of such agreements, the range of payment due dates and information on liquidity risk.

(b) Amendments to published standards effective for financial year ending 31 March 2026

Lack of Exchangeability (Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates*)

The amendments clarified when a currency is exchangeable into another currency and how an entity estimates a spot rate when a currency lacks exchangeability. New disclosure requirements include the nature and financial impacts of the currency not being exchangeable, spot exchange rate used, estimation process and risks to the entity when the currency is not exchangeable.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

(c) Standard effective on a date to be determined by MASB

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures*)

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

There are no significant changes in regulatory requirements during the current financial year.

5. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgments, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

5.1 Measurement of ECL allowances (Notes 6, 9, 10, 11, 25, 31, 32, 33 and 34)

The measurement of the ECL allowances for financing and advances, financial assets measured at amortised cost, FVOCI, financing commitments and financial guarantee contracts requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 50.2.

Components of ECL models that involve significant judgment includes:

- determining criteria for SICR in the qualitative assessment and the impact of the instrument being measured at lifetime ECL basis due to SICR;
- choosing appropriate models and assumptions including the various formulae and choice of inputs for the measurement of ECL;
- establishing the forward-looking macroeconomic scenarios and the associated probability weightings, which are used in forward-looking ECL measurement;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- application of AMMB Group's internal credit grading model which assigns Probability of Default ("PD") to the individual grades.

5. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.2 Lease term of agreements with renewal options (Note 15)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to six years. The extension options held are exercisable only by the Bank and not by the respective lessor. In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the leased asset. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Bank included the renewal period as part of the lease term for most of its leases of premises due to the significance of these assets to its operations.

5.3 Deferred tax assets and income taxes (Notes 13, 24 and 41)

The Bank's income tax expense, deferred tax assets and liabilities reflect management's best estimate of current and future taxes to be paid.

Deferred tax assets are recognised in respect of unabsorbed capital allowances and other temporary differences to the extent that it is probable that future taxable profit will be available against which the unabsorbed capital allowances and other temporary differences can be utilised. Management judgment is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.3 Deferred tax assets and income taxes (Notes 13, 24 and 41) (Cont'd.)

Significant judgment is required in estimating the provision for income taxes. Such estimate involves dealing with uncertainties in the application on the tax treatment of certain income or expenses that requires interpretation of the provisions in the income tax act of the relevant tax authorities. Liabilities for taxation are recognised based on estimates as to whether the payment of additional tax is probable. Management may seek experts' advice for such complex areas. As there is significant judgment and estimation uncertainty involved in determining provision for income taxes, the actual tax liability payable to the relevant tax authorities for the relevant year of assessment may be materially different from the amounts that were initially recorded; and such differences, if any, will be reflected as adjustments of over or under provisions of income tax and deferred tax provision in the period in which the estimate is revised or when the final tax liability is established.

5.4 Fair value measurement of financial instruments (Notes 7, 8, 9, 28, 30 and 51)

When the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required to establish fair values. Judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

6. CASH AND SHORT-TERM FUNDS

	Note	2024 RM'000	2023 RM'000
Cash and bank balances		115,195	83,375
Less: Allowances for ECL	(a)	(16)	(8)
		115,179	83,367
Deposits and placements maturing within one month with original maturity of three months or less:			
Bank Negara Malaysia		660,000	2,030,000
		660,000	2,030,000
Total cash and bank balances and deposits and placements		775,179	2,113,367

(a) The movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000
2024	
Balance at beginning of the financial year	8
Net allowance for ECL (Note 33):	7
Net remeasurement of allowances	7
Foreign exchange differences	1
Balance at end of the financial year	16
2023	
Balance at beginning of the financial year	151
Net writeback of ECL (Note 33):	(143)
Financial assets derecognised	(143)
Balance at end of the financial year	8

The increase in allowances for ECL in Stage 1 is mainly due to net remeasurement of allowances.

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The table below shows the Bank's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the reporting date are analysed below:

	Contract/Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
2024			
Trading Derivatives			
Foreign exchange related contracts			
One year or less	2,501,706	32,026	30,898
Over one year to three years	309,698	7,443	6,596
Over three years	5,665	37	19
Commodity related contracts			
One year or less	80,115	2,411	2,429
Hedging Derivatives			
Profit rate related contracts			
Profit rate swaps			
- Fair value hedge			
One year or less	350,000	-	1,088
Total	3,247,184	41,917	41,030
2023			
Trading Derivatives			
Foreign exchange related contracts			
One year or less	2,882,476	18,517	17,622
Over one year to three years	878,050	9,784	8,300
Over three years	140,011	1,606	1,171
Commodity related contracts			
Over one year to three years	74,952	6,456	6,456
Hedging Derivatives			
Profit rate related contracts			
Profit rate swaps			
- Fair value hedge			
Over one year to three years	350,000	-	3,265
Total	4,325,489	36,363	36,814

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting

(i) Fair value hedge

Profit rate risk

The Bank holds a portfolio of long-term fixed rate financial investments, therefore is exposed to changes in fair value due to movements in market profit rates. The Bank manages a portion of this risk exposure that is not naturally offset against floating rate positions held by the Bank in financial investments by entering into pay fixed/receive floating profit rate swaps.

Only the profit rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The profit rate risk component is determined as the change in fair value of the long-term fixed rate financial investments (e.g. sukuk) arising solely from changes in 6-month KLIBOR (the benchmark rate of profit). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Bank establishes the hedging ratio by matching the notional of the derivatives with the principal of the long-term fixed rate financial investments being hedged. The main source of ineffectiveness arises from differences in timing of cash flows between debt instruments and profit rate swaps.

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (Cont'd.)

(ii) The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Bank's non-dynamic hedging strategies:

	Maturity				
	Up to 1 month RM'000	**> 1 month to 3 months RM'000**	**> 3 months to 1 year RM'000**	**> 1 year to 5 years RM'000**	**More than 5 years RM'000**
2024					
Fair value hedge - Profit rate risk					
Profit rate swaps					
Notional	-	-	350,000	-	-
Average floating profit rate	-	-	3.3%	-	-
2023					
Fair value hedge - Profit rate risk					
Profit rate swaps					
Notional	-	-	-	350,000	-
Average floating profit rate	-	-	-	3.3%	-

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (Cont'd.)

(iii) The following table contains details of the hedging instruments used in the Bank's hedging strategies:

	Notional Amount RM'000	Carrying amount of Derivative Financial Assets RM'000	Carrying amount of Derivative Financial Liabilities RM'000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
2024					
Fair value hedge					
Profit rate risk					
- Profit rate swaps	350,000	-	(1,088)	Derivative financial liabilities	2,177
2023					
Fair value hedge					
Profit rate risk					
- Profit rate swaps	350,000	-	(3,265)	Derivative financial liabilities	8,017

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (Cont'd.)

(iv) The following table contains details of the hedged item covered by the Bank's hedging strategies:

	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Change in fair value used for calculating hedge ineffectiveness during the year	Continuing hedge	Discontinued hedge
	Assets	Liabilities	Assets	Liabilities				
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
2024								
Fair value hedge								
Profit rate risk								
- Unquoted sukuk	351,187	-	1,075	-	Financial investments at FVOCI	(2,310)	-	-
2023								
Fair value hedge								
Profit rate risk								
- Unquoted sukuk	353,409	-	3,385	-	Financial investments at FVOCI	(7,973)	-	-

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (Cont'd.)

(v) The following table contains information regarding the effectiveness of the hedging relationships designated by the Bank, as well as the impact on profit or loss and other comprehensive income:

	Loss recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Statement of profit or loss/other comprehensive income line item that includes hedge ineffectiveness
2024			
Fair value hedge			
Profit rate risk			
- Unquoted sukuk	2,310	(134)	Other operating income
2023			
Fair value hedge			
Profit rate risk			
- Unquoted sukuk	7,973	44	Other operating income

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RM'000	2023 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury Bills	2,511,949	1,354,281
Malaysian Government Investment Issues	374,382	-
Bank Negara Monetary Notes	289,592	724,354
	3,175,923	2,078,635
Unquoted securities:		
In Malaysia:		
Sukuk	59,883	498,154
	3,235,806	2,576,789

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RM'000	2023 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury Bills	-	1,059,413
Malaysian Government Investment Issues	2,808,361	1,653,434
Bank Negara Monetary Notes	-	247,160
	2,808,361	2,960,007
Quoted Securities:		
In Malaysia:		
Shares	12,740	-
Unquoted securities:		
In Malaysia:		
Sukuk	3,855,338	3,562,117
Shares	37,469	-
	6,713,908	6,522,124

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

(a) Equity instruments at fair value through other comprehensive income comprise the following individual investments:

	2024 Carrying value RM'000	2023 Carrying value RM'000
Quoted securities in Malaysia:		
Shares		
Boustead Heavy Industries Corporation Bhd	12,740	-
Unquoted securities in Malaysia:		
Redeemable Convertible Preference Shares		
Boustead Heavy Industries Corporation Bhd	37,469	-

The Bank elected to present in other comprehensive income for changes in the fair value of the above equity investment because these equity investments are held for long-term strategic or socio-economic purposes instead of for selling in the near term or for short-term profit taking.

Other than the above, there have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the current and previous financial years.

(b) The Bank had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (2023: RM350.0 million) using profit rate swap with AmBank (M) Berhad ("AmBank"). The (loss)/gain arising from the fair value hedge during the financial year is as follows:

	2024 RM'000	2023 RM'000
Relating to hedged item	(2,310)	(7,973)
Relating to hedging instruments	2,176	8,017
	(134)	44

The fair value changes on the hedged item is taken up under fair value reserve and the hedging gain or loss on the hedged item is reclassified to profit or loss.

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000	**Stage 2 Lifetime ECL Not Credit Impaired RM'000**	**Total RM'000**
2024			
Balance at beginning of the financial year	2,404	1,045	3,449
Net allowances for ECL (Note 32):	2,757	445	3,202
New financial assets originated	2,241	-	2,241
Financial assets derecognised	(652)	-	(652)
Net remeasurement of allowances	1,168	445	1,613
Balance at end of the financial year	5,161	1,490	6,651
2023			
Balance at beginning of the financial year	2,497	6,239	8,736
Net writeback of ECL (Note 32):	(93)	(5,194)	(5,287)
- Transfer to Stage 1	443	(6,239)	(5,796)
- Transfer to Stage 2	(489)	1,045	556
New financial assets originated	1,019	-	1,019
Financial assets derecognised	(743)	-	(743)
Net remeasurement of allowances	(323)	-	(323)
Balance at end of the financial year	2,404	1,045	3,449

The movements in allowances for ECL during the current financial year are mainly contributed by:

(a) Increase in Stage 1 ECL mainly due to new financial assets originated and net remeasurement of allowances offset by financial assets derecognised; and

(b) Increase in Stage 2 ECL is mainly due to net remeasurement of allowances.

10. FINANCIAL INVESTMENTS AT AMORTISED COST

	Note	**2024 RM'000**	**2023 RM'000**
At amortised cost:			
Money Market Instruments:			
Malaysian Government Investment Issues		1,057,168	1,648,681
Unquoted Securities:			
In Malaysia:			
Sukuk		3,279,495	2,991,037
Less: Allowances for ECL	(a)	(477,006)	(459,732)
		3,859,657	4,179,986

10. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

(a) The movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2024			
Balance at beginning of the financial year	2,169	457,563	459,732
Net (writeback of)/allowances for ECL (Note 32):	(250)	17,524	17,274
New financial assets originated	1,306	-	1,306
Financial asset derecognised	(1,445)	-	(1,445)
Net remeasurement of allowances	(111)	17,524	17,413
Balance at end of the financial year	1,919	475,087	477,006
2023			
Balance at beginning of the financial year	1,182	444,455	445,637
Net allowance for ECL (Note 32):	987	13,108	14,095
New financial assets originated	981	-	981
Financial asset derecognised	(11)	-	(11)
Net remeasurement of allowances	17	13,108	13,125
Balance at end of the financial year	2,169	457,563	459,732

The increase in allowances for ECL is mainly contributed by net remeasurement of allowances.

11. FINANCING AND ADVANCES

(a) Financing and advances by type and Shariah contracts are as follows:

2024

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	622,102	-	-	459,810	-	1,081,912
Term financing	288,240	14,447,065	6,947	-	432,488	-	15,174,740
Revolving credit	1,947	4,904,320	-	-	638,926	-	5,545,193
Housing financing	2,246,277	11,721,324	36,315	-	-	-	14,003,916
Hire purchase receivables	3	-	-	5,520,834	-	-	5,520,837
Bills receivables	-	810,117	-	-	-	104,871	914,988
Credit card receivables	-	-	-	-	-	546,005	546,005
Trust receipts	-	458,832	-	-	-	-	458,832
Staff financing	-	22,921	-	-	-	-	22,921
Claims on customers under acceptance credits	-	1,996,785	-	-	-	324,271	2,321,056
Others	-	-	-	-	-	35,190	35,190
Gross financing and advances*	2,536,467	34,983,466	43,262	5,520,834	1,531,224	1,010,337	45,625,590
Less: Allowances for ECL (Note 11(j))							
- Stage 1 - 12-month ECL							(109,080)
- Stage 2 - Lifetime ECL not credit impaired							(337,673)
- Stage 3 - Lifetime ECL credit impaired							(196,450)
Net financing and advances							44,982,387

11. FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type and Shariah contracts are as follows (Cont'd.):

2023

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	594,352	-	-	534,646	-	1,128,998
Term financing	347,700	15,538,398	7,327	-	650,409	-	16,543,834
Revolving credit	22,037	4,943,902	-	-	1,049,641	-	6,015,580
Housing financing	2,418,525	10,293,397	38,815	-	-	-	12,750,737
Hire purchase receivables	3	-	-	4,947,850	-	-	4,947,853
Bills receivables	-	620,200	-	-	-	103,537	723,737
Credit card receivables	-	-	-	-	-	498,872	498,872
Trust receipts	-	480,747	-	-	-	-	480,747
Staff financing	-	20,731	-	-	-	-	20,731
Claims on customers under acceptance credits	-	2,235,072	-	-	-	281,933	2,517,005
Others	-	-	-	-	-	12,770	12,770
Gross financing and advances*	2,788,265	34,726,799	46,142	4,947,850	2,234,696	897,112	45,640,864
Less: Allowances for ECL (Note 11(j))							
- Stage 1 - 12-month ECL							(74,502)
- Stage 2 - Lifetime ECL not credit impaired							(441,391)
- Stage 3 - Lifetime ECL credit impaired							(163,096)
Net financing and advances							44,961,875

* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangement between the Bank and AmBank amounting to RM1,370.4 million (2023: RM1,542.3 million). Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing. Further details of the RA are disclosed in Note 20.

11. FINANCING AND ADVANCES (CONT'D.)

(b) Gross financing and advances analysed by type of customer are as follows:

	2024 RM'000	2023 RM'000
Domestic non-bank financial institutions	2,122,557	2,263,471
Domestic business enterprises		
- Small medium enterprises ("SME")	6,930,295	6,830,614
- Others	8,654,644	8,942,573
Government and statutory bodies	2,389,368	2,595,851
Individuals	25,015,065	24,506,155
Other domestic entities	111	118
Foreign individuals and entities	513,550	502,082
	45,625,590	45,640,864

(c) All financing and advances reside in Malaysia.

(d) Gross financing and advances analysed by profit rate sensitivity are as follows:

	2024 RM'000	2023 RM'000
Fixed rate		
- Housing financing	170,997	164,784
- Hire purchase receivables	5,444,523	4,883,169
- Other financing	5,618,814	5,527,511
Variable rate		
- Base rate and base financing rate plus	23,466,357	23,402,540
- Cost plus	10,802,097	11,515,903
- Other variable rates	122,802	146,957
	45,625,590	45,640,864

11. FINANCING AND ADVANCES (CONT'D.)

(e) Gross financing and advances analysed by sector are as follows:

	2024 RM'000	2023 RM'000
Agriculture	1,399,818	1,859,755
Mining and quarrying	565,971	629,375
Manufacturing	4,184,847	4,859,748
Electricity, gas and water	717,545	538,441
Construction	915,971	969,620
Wholesale and retail trade and hotel and restaurants	3,521,098	3,272,133
Transport, storage and communication	2,061,239	1,695,582
Finance and insurance	3,644,704	3,798,148
Real estate	1,924,519	2,319,010
Business activities	1,200,813	699,713
Education and health	432,960	441,731
Household of which:	25,056,105	24,557,608
- Purchase of residential properties	14,074,406	12,816,791
- Purchase of transport vehicles	5,128,803	4,608,460
- Others	5,852,896	7,132,357
	45,625,590	45,640,864

(f) Gross financing and advances analysed by residual contractual maturity are as follows:

	2024 RM'000	2023 RM'000
Maturing within one year	11,357,091	12,125,562
Over one year to three years	1,471,057	1,529,251
Over three years to five years	2,633,488	2,535,398
Over five years	30,163,954	29,450,653
	45,625,590	45,640,864

11. FINANCING AND ADVANCES (CONT'D.)

(g) Movements in impaired financing and advances are as follows:

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	521,155	628,542
Additions during the financial year	836,529	819,460
Reclassified as non-impaired	(79,347)	(37,363)
Recoveries	(344,648)	(580,374)
Amount written off	(278,455)	(309,110)
Balance at end of the financial year	655,234	521,155
Gross impaired financing and advances as % of gross financing and advances	1.44%	1.14%
Financing loss coverage	107.9%	136.5%

(h) All impaired financing and advances reside in Malaysia.

(i) Impaired financing and advances analysed by sector are as follows:

	2024 RM'000	2023 RM'000
Agriculture	392	614
Mining and quarrying	33,680	38,685
Manufacturing	20,729	50,598
Electricity, gas and water	226	167
Construction	53,911	19,933
Wholesale and retail trade and hotel and restaurants	102,652	70,256
Transport, storage and communication	4,136	3,817
Real estate	20,132	498
Business activities	8,071	2,857
Education and health	366	1,645
Household of which:	410,939	332,085
- Purchase of residential properties	336,654	260,048
- Purchase of transport vehicles	29,281	29,710
- Others	45,004	42,327
	655,234	521,155

11. FINANCING AND ADVANCES (CONT'D.)

(j) Movements in allowances for ECL are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2024				
Balance at beginning of the financial year	74,502	441,391	163,096	678,989
Net allowances for/(writeback of) ECL (Note 31):	34,499	(40,838)	311,809	305,470
- Transfer to Stage 1	6,995	(40,012)	(2,767)	(35,784)
- Transfer to Stage 2	(3,600)	51,324	(10,453)	37,271
- Transfer to Stage 3	(426)	(21,841)	83,098	60,831
New financial assets originated	28,374	31,314	7,306	66,994
Net remeasurement of allowances	4,925	2,783	247,226	254,934
Changes in model assumptions and methodologies	12,953	(15,955)	21,753	18,751
Modification of contractual cash flows of financial assets	222	(7,007)	5,432	(1,353)
Financial assets derecognised	(14,944)	(41,444)	(39,786)	(96,174)
Transfer to other assets (Note 13)	-	(62,900)	-	(62,900)
Foreign exchange differences	79	20	-	99
Amount written-off	-	-	(278,455)	(278,455)
Balance at end of the financial year	109,080	337,673	196,450	643,203

11. FINANCING AND ADVANCES (CONT'D.)

(j) Movements in allowances for ECL are as follows (Cont'd.):

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2023				
Balance at beginning of the financial year	61,592	401,419	230,573	693,584
Net allowances for ECL (Note 31):	12,876	39,964	241,633	294,473
- Transfer to Stage 1	3,671	(34,652)	(910)	(31,891)
- Transfer to Stage 2	(5,140)	57,705	(5,615)	46,950
- Transfer to Stage 3	(443)	(10,078)	116,879	106,358
New financial assets originated	22,474	33,838	3,907	60,219
Net remeasurement of allowances	10,566	(13,883)	143,104	139,787
Changes in model assumptions and methodologies	(8,061)	31,122	(5)	23,056
Modification of contractual cash flows of financial assets	(144)	2,279	376	2,511
Financial assets derecognised	(10,047)	(26,367)	(16,103)	(52,517)
Foreign exchange differences	34	8	-	42
Amount written-off	-	-	(309,110)	(309,110)
Balance at end of the financial year	74,502	441,391	163,096	678,989

Overall, the total allowances for impairment on financing and advances for the Bank decreased by RM35.8 million due to the following:

(a) 12-month ECL (Stage 1) – increase of RM34.6 million mainly due to newly originated financing and advances, changes in model assumptions and methodologies, net remeasurement of allowances and change in credit risk, partially offset by the impact from financial assets derecognised;

(b) Lifetime ECL not credit impaired (Stage 2) – decrease of RM103.7 million mainly due to transfer to other assets, financial assets derecognised, changes in model assumptions and methodologies, change in credit risk and modification of contractual cash flows of financial assets, offset by new financial assets originated and net remeasurement of allowances; and

11. FINANCING AND ADVANCES (CONT'D.)

(j) Movements in allowances for ECL are as follows (Cont'd.):

(c) Lifetime ECL credit impaired (Stage 3) – increase of RM33.4 million mainly due to net remeasurement of allowances, change in credit risk, changes in model assumptions and methodologies, new financial assets originated and modification of contractual cash flows of financial assets, offset by the impact from financing and advances written-off and financial assets derecognised.

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined as a set percentage of total eligible liabilities. The Statutory Reserve Requirements ("SRR") rate for banking industries is 2.0% of eligible liabilities.

13. OTHER ASSETS

	Note	2024 RM'000	2023 RM'000
Other receivables, deposits and prepayments		86,547	90,832
Amount due from related companies	(a)	1,233,525	206,712
Profit receivable		135,416	96,058
Tax recoverable		-	5,955
Deferred charges	(b)	104,571	98,242
		1,560,059	497,799
Less: Accumulated impairment losses	(c)	-	-
		1,560,059	497,799

(a) Amount due from related companies, which related to banking operations, are unsecured, non-profit bearing and are repayable on demand.

(b) Deferred charges represent prepaid expenses for handling fees, marketing and promotion expenses relating to financing and advances.

(c) Movements of allowances for impairment losses on other assets:

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	-	-
Transfer from financing and advances (Note 11(j))	62,900	-
Writeback of impairment loss (Note 33)	(54,360)	-
Amount written off	(8,540)	-
Balance at end of the financial year	-	-

14. PROPERTY AND EQUIPMENT

	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2022	446	173	844	528	1,991
Additions	-	-	72	-	72
Disposals	-	-	(35)	-	(35)
Transfer from related companies	-	-	5	-	5
At 31 March 2023/1 April 2023	446	173	886	528	2,033
Additions	-	-	102	-	102
At 31 March 2024	446	173	988	528	2,135
Accumulated depreciation					
At 1 April 2022	437	169	718	304	1,628
Depreciation for the financial year (Note 37)	9	2	51	54	116
Disposals	-	-	(35)	-	(35)
At 31 March 2023/1 April 2023	446	171	734	358	1,709
Depreciation for the financial year (Note 37)	-	1	68	106	175
At 31 March 2024	446	172	802	464	1,884
Carrying amount					
At end of the financial year					
31 March 2023	-	2	152	170	324
31 March 2024	-	1	186	64	251

15. RIGHT-OF-USE ASSETS

	2024 RM'000	2023 RM'000
Premises		
Cost		
At beginning of the financial year	3,423	2,793
Additions	-	227
Remeasurement	-	403
At end of the financial year	3,423	3,423
Accumulated depreciation		
At beginning of the financial year	1,139	727
Depreciation for the financial year (Note 37)	303	412
At end of the financial year	1,442	1,139
Carrying amount		
At end of the financial year	1,981	2,284

The carrying amount of the right-of-use assets includes carrying amount of estimated cost for reinstatement amounted to approximately RM28,000 (2023: RM32,000).

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 25(a).

The Bank has entered into commercial leases for premises, all of which do not contain any variable payment terms or residual payment guarantees. The Bank is not subjected to any covenants or restrictions by entering into the leases.

The leases are typically made for fixed period of three years, but some of the leases for premises may have extension options between three and six years. These options, which are exercisable only by the Bank and not by the respective lessor, are negotiated by management to provide operational flexibility in managing the assets used in the operations of the Bank. Management exercises significant judgment in determining whether these extension options are reasonably certain to be exercised (refer to Note 5.2). For all of the leases of premises, the periods covered by the extension options are included as part of the lease terms due to the significance of these assets to the Bank. As such, substantially all of the future cash outflows that the Bank is exposed to in connection with the leases have been reflected in the measurement of lease liabilities.

16. INTANGIBLE ASSETS

	2024 RM'000	2023 RM'000
Computer software		
Cost		
At beginning of the financial year	3,124	2,976
Additions	50	148
At end of the financial year	3,174	3,124
Accumulated amortisation		
At beginning of the financial year	2,826	2,481
Amortisation for the financial year (Note 37)	89	345
At end of the financial year	2,915	2,826
Allowance for impairment loss		
At beginning of the financial year	-	-
Impairment for the financial year	39	-
At end of the financial year	39	-
Carrying amount		
At end of the financial year	220	298

17. DEPOSITS FROM CUSTOMERS

	2024 RM'000	2023 RM'000
(i) By type of deposit:		
Savings deposit:		
Commodity Murabahah	3,929,316	4,664,808
Qard	39,883	159,012
Demand deposit:		
Commodity Murabahah	14,273,884	11,178,667
Qard	125,735	1,782,776
Term deposit:		
Commodity Murabahah	29,535,968	27,373,974
Qard	329,507	93,273
Total	48,234,293	45,252,510

Included in deposits from customers are deposits of RM711.9 million (2023: RM684.4 million) held as collateral for financing and advances.

17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) The deposits are sourced from the following type of customers:

	2024 RM'000	2023 RM'000
Government and statutory bodies	4,743,809	5,719,815
Business enterprises	28,240,844	25,081,487
Individuals	14,155,295	13,361,210
Others	1,094,345	1,089,998
	48,234,293	45,252,510

(iii) The maturity structure of term deposits are as follows:

	2024 RM'000	2023 RM'000
Due within six months	24,778,812	23,623,778
Over six months to one year	4,729,705	3,148,741
Over one year to three years	339,335	662,291
Over three years to five years	17,623	32,437
	29,865,475	27,467,247

18. INVESTMENT ACCOUNTS OF CUSTOMERS

	2024 RM'000	2023 RM'000
Unrestricted investment accounts:		
Without maturity		
- Wakalah	12,619	13,734
With maturity		
- Mudarabah	1,440	2,740
	14,059	16,474

The investment accounts are sourced from the following type of customers:

	2024 RM'000	2023 RM'000
Business enterprises	55	34
Individuals	14,004	16,440
	14,059	16,474

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(a) Movements in the investment accounts are as follows:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2022	16,573	361,288
Funding (outflows)/inflows		
New placements during the financial year	-	12,267
Redemptions/withdrawals during the financial year	(2,846)	(372,279)
Income from investment (Note 29(b))	373	2,662
Bank's share of profit		
Profit distributed to mudarib	(366)	(1,198)
As at 31 March 2023/1 April 2023	13,734	2,740
Funding (outflows)/inflows		
New placements during the financial year	-	440
Redemptions/withdrawals during the financial year	(1,122)	(1,788)
Income from investment (Note 29(b))	385	102
Bank's share of profit		
Profit distributed to mudarib	(378)	(54)
As at 31 March 2024	12,619	1,440

Investment asset:

	Wakalah RM'000	Mudarabah RM'000
2023		
Interbank placement	13,734	-
House financing	-	2,740
Total investment	13,734	2,740
2024		
Interbank placement	12,619	-
House financing	-	1,440
Total investment	12,619	1,440

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(b) Average Profit Sharing Ratio, Average Rate of Return and Average Performance Incentive Fee for the investment accounts based on original contractual maturity are as follows:

	Investment account holder Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
2024			
Maturity:			
- less than 3 months	46.85	0.21	2.92
- between 3 to 12 months	49.95	2.48	-
2023			
Maturity:			
- less than 3 months	55.13	1.71	2.37
- between 3 to 12 months	54.62	2.24	-

(c) Maturity structure of investment accounts are as follows:

	2024 RM'000	2023 RM'000
Unrestricted investment accounts:		
- without maturity	12,619	13,734
- with maturity		
Due within six months	1,440	2,740
	14,059	16,474

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	2024 RM'000	2023 RM'000
Non-Mudarabah			
Licensed Islamic banks		498,929	298,767
Licensed banks	(a)	650,553	2,620,016
Licensed investment banks		274,495	375,519
Other financial institutions		1,355,828	1,386,726
Bank Negara Malaysia		135,406	82,192
		2,915,211	4,763,220

(a) Included in the deposit and placements of licensed banks is RM99.5 million (2023: RM136.7 million) of interbank placement from AmBank, a related company, at below market rate with six-year (6) to eight and half year (8.5) maturities. This placement was part of the fund received by AmBank under the government financing scheme for COVID-19 relief measures, for the purpose of lending to SME at below market rate.

As a result, RM18.9 million of fair value gain arising from the difference between the concession rates received and market rates was recognised in the previous financial year. During the current financial year, fair value gain amounting to RM11.8 million is reversed due to partial refund of the government scheme. Total unwinding amount of RM1.6 million (2023: RM4.4 million) was recognised as income attributable to deposits and placements of banks and other financial institutions as disclosed in Note 35.

20. INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	Note	2024 RM'000	2023 RM'000
Restricted investment account ("RA")			
- Mudarabah Muqayyadah	(a)	1,366,363	1,538,521

Note:

(a) The RA contract is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by the Bank as the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio. Losses shall be borne solely by the capital provider. The capital provider for the RA contracts is AmBank.

As at 31 March 2024, ECL allowance for the investment asset borne by AmBank amounted to RM1.8 million (2023: RM1.3 million).

As at 31 March 2024, the tenure of the RA contracts is for a period of 3 to 6 years (2023: 4 to 7 years).

(b) Movements in the investment accounts are as follows:

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	1,538,521	1,710,663
Funding (outflows)/inflows		
Net redemptions during the financial year	(172,157)	(172,142)
Income attributable to investment account holders (Note 36)	(57,862)	(52,264)
Income from investment (Note 29(a))	64,291	58,071
Bank's share of profit		
Profit distributed to mudarib	(6,430)	(5,807)
Balance at end of the financial year	1,366,363	1,538,521
Investment asset:		
Financing	1,366,363	1,538,521
Total investment	1,366,363	1,538,521

20. INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

(c) Average Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	Investment account holder			
	2024	2023	2024	2023
	Average profit sharing ratio (%)	Average profit sharing ratio (%)	Average rate of return (%)	Average rate of return (%)
Maturity:				
- over 2 years to 5 years	90	90	3.89	3.19
- more than 5 years	90	90	4.26	3.39

21. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on financing sold to Cagamas Berhad represents the proceeds received from the Bank's financing sold directly to Cagamas Berhad with recourse. Under this arrangement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing, which are regarded as defective based on prudential criteria with recourse to the Bank.

22. TERM FUNDING

	Note	2024 RM'000	2023 RM'000
Senior Sukuk	(a)	800,000	800,000
Structured Product	(b)	34,977	34,907
		834,977	834,907

(a) Senior Sukuk

The movements in Senior Sukuk are as follows:

	2024 RM'000	2023 RM'000
Balance at beginning and end of the financial year	800,000	800,000

22. TERM FUNDING (CONT'D.)

(a) Senior Sukuk (Cont'd.)

In the financial year ended 31 March 2011, the Bank implemented a Senior Islamic securities issuance ("Senior Sukuk") programme under the Shariah principle of Musharakah with nominal value of up to RM3.0 billion. As at 31 March 2024, the Senior Sukuk was assigned a rating of AA2/Stable by RAM.

The salient features of Senior Sukuk issued and outstanding are as follows:

- Tranche 6 which amounted to RM800.0 million was issued on 27 March 2020. This tranche bears profit rate of 4.10% per annum payable semi-annually and has a tenor of five (5) years.

(b) Structured Product

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	34,907	34,836
Amortisation of premium	70	71
Balance at end of the financial year	34,977	34,907

This includes non-principal guaranteed deposit placed by customers and structured products that are only principal guaranteed on maturity. The structured products include investment products with an embedded derivative where the embedded derivative is normally linked to the performance of an underlying asset such as profit rates, equities, commodities and foreign currency rates. Upon maturity, the customer will receive either cash payment or pre-determined units of the underlying asset. The structured products will mature within 1 year (2023: 1 year to 2 years).

23. SUBORDINATED SUKUK

	2024 RM'000	2023 RM'000
Sukuk Murabahah	1,300,000	1,300,000

23. SUBORDINATED SUKUK (CONT'D.)

The movements in Subordinated Sukuk Murabahah are as follows:

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	1,300,000	1,300,000
Issuance during the financial year	500,000	150,000
Repayment during the financial year	(500,000)	(150,000)
Balance at end of the financial year	1,300,000	1,300,000

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, the Bank implemented a Subordinated Sukuk Murabahah programme of RM3.0 billion ("Sukuk Murabahah"). The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the Bank's total capital position. The programme is set-up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM, and the securities issued under this programme qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

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 this 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. As at 31 March 2024, the Tier 2 Subordinated Sukuk have been assigned a credit rating of AA3/Stable by RAM.

The salient features of Subordinated Sukuk issued and outstanding are as follows:

- Tranche 7 which amounted to RM500.0 million was issued on 18 October 2018. The profit rate of this tranche is 4.88% per annum, payable semi-annually and has a tenor of ten (10) years. This tranche was fully redeemed on 18 October 2023.

- Tranche 8 which amounted to RM400.0 million was issued on 8 December 2020. The profit rate of this tranche is 3.13% per annum, payable semi-annually and has a tenor of ten (10) years.

- Tranche 9 which amounted to RM250.0 million was issued on 8 March 2022. The profit rate of this tranche is 4.25% per annum, payable semi-annually and has a tenor of ten (10) years.

- Tranche 10 which amounted to RM150.0 million was issued on 28 March 2023. The profit rate of this tranche is 4.53% per annum, payable semi-annually and has a tenor of ten (10) years.

- Tranche 11 which amounted to RM500.0 million was issued on 27 June 2023. The profit rate of this tranche is 4.53% per annum, payable semi-annually and has a tenor of ten (10) years.

24. DEFERRED TAX ASSETS

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	62,072	61,176
Recognised in statement of profit or loss (Note 41)	(5,107)	893
Recognised in other comprehensive income	(4,540)	3
Balance at end of the financial year	52,425	62,072

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statements of financial position, after appropriate offsetting:

	2024 RM'000	2023 RM'000
Deferred tax assets	52,425	62,072

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	2024 RM'000	2023 RM'000
Deferred tax assets	78,116	85,691
Deferred tax liabilities	(25,691)	(23,619)
	52,425	62,072

24. DEFERRED TAX ASSETS (CONT'D.)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

	Balance at beginning of the financial year RM'000	Recognised in statement of profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Deferred tax assets				
2024				
Allowances for ECL	74,134	(3,544)	-	70,590
Provision for expenses	3,845	259	-	4,104
Deferred income	3,721	(339)	-	3,382
Fair value reserve	3,991	-	(3,991)	-
Other temporary differences	-	40	-	40
	85,691	(3,584)	(3,991)	78,116
2023				
Allowances for ECL	65,951	8,183	-	74,134
Provision for expenses	3,505	340	-	3,845
Deferred income	3,845	(124)	-	3,721
Fair value reserve	3,988	-	3	3,991
Other temporary differences	3,831	(3,831)	-	-
	81,120	4,568	3	85,691
Deferred tax liabilities				
2024				
Excess of capital allowance over depreciation	(41)	(4)	-	(45)
Deferred charges	(23,578)	(1,519)	-	(25,097)
Fair value reserve	-	-	(549)	(549)
	(23,619)	(1,523)	(549)	(25,691)
2023				
Excess of capital allowance over depreciation	(100)	59	-	(41)
Deferred charges	(19,844)	(3,734)	-	(23,578)
	(19,944)	(3,675)	-	(23,619)

25. OTHER LIABILITIES

	Note	2024 RM'000	2023 RM'000
Profit payable		307,347	243,881
Other creditors and accruals		76,158	64,904
Lease liabilities	(a)	2,064	2,347
Provision for reinstatement of leased premises	(b)	85	84
Deferred income		14,092	15,502
Advance rentals		11,864	12,081
Amount due to a related company	(c)	1	18
Allowances for ECL on financing commitments and financial guarantees	(d)	20,462	32,300
Provision for taxation		4,623	-
		436,696	371,117

(a) The movements in lease liabilities are as follows:

	2024 RM'000	2023 RM'000
Balance at beginning of the financial year	2,347	2,092
Additions	-	227
Remeasurement	-	403
Finance cost charged (Note 37)	59	88
Payment of lease liabilities	(342)	(463)
Balance at end of the financial year	2,064	2,347

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Bank is committed.

The costs relating to leases for which the Bank applied the practical expedient described in Note 2.4c Leases for the current financial year end amounted to RM Nil (2023: RM900) for low-value assets. There was no lease with contract term of less than 12 months.

25. OTHER LIABILITIES (CONT'D.)

(a) The movements in lease liabilities are as follows (Cont'd.):

Lease liabilities analysed by undiscounted contractual payments are as follows:

	2024 RM'000	**2023 RM'000**
Up to 1 month	29	29
>1 month to 3 months	57	57
>3 months to 6 months	85	85
>6 months to 12 months	171	171
>1 year to 5 years	1,091	1,433
Over 5 years	737	737
	2,170	2,512

(b) The movements in provision for reinstatement of leased premises are as follows:

	2024 RM'000	**2023 RM'000**
Balance at beginning of the financial year	84	82
Finance cost charged (Note 37)	1	2
At end of the financial year	85	84

(c) Amount due to a related company, which related to banking operations, are unsecured, non-profit bearing and are repayable on demand.

25. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees which reflect the ECL model on impairment are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2024				
Balance at beginning of the financial year	11,580	7,010	13,710	32,300
Net writeback of ECL (Note 34):	(272)	(1,669)	(9,940)	(11,881)
- Transfer to Stage 1	454	(3,426)	-	(2,972)
- Transfer to Stage 2	(192)	1,036	-	844
- Transfer to Stage 3	(40)	(600)	640	-
New exposures originated	4,188	2,410	-	6,598
Net remeasurement of allowances	(1,635)	230	(10,580)	(11,985)
Financial exposures derecognised	(3,047)	(1,319)	-	(4,366)
Foreign exchange difference	29	14	-	43
Balance at end of the financial year	11,337	5,355	3,770	20,462

25. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees which reflect the ECL model on impairment are as follows (Cont'd.):

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2023				
Balance at beginning of the financial year	8,454	10,567	5,787	24,808
Net allowances for/ (writeback of) ECL (Note 34):	3,115	(3,564)	7,923	7,474
- Transfer to Stage 1	339	(1,981)	-	(1,642)
- Transfer to Stage 2	(477)	2,290	-	1,813
- Transfer to Stage 3	(14)	(181)	197	2
New exposures originated	5,299	2,609	7,943	15,851
Net remeasurement of allowances	336	(3,706)	(197)	(3,567)
Financial exposures derecognised	(2,368)	(2,595)	(20)	(4,983)
Foreign exchange difference	11	7	-	18
Balance at end of the financial year	11,580	7,010	13,710	32,300

The movements in allowances for ECL during the current financial year are mainly contributed by:

(a) 12-month ECL (Stage 1) decreased by RM0.2 million mainly due to financial exposures derecognised and net remeasurement of allowances offset by new exposures originated;

(b) Lifetime ECL not credit impaired (Stage 2) decreased by RM1.7 million mainly due to changes in credit risk and financial exposures derecognised offset by new exposures originated; and

(c) Lifetime ECL credit impaired (Stage 3) decreased by RM9.9 million mainly due to net remeasurement of allowances.

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2024 Units'000	2023 Units'000	2024 RM'000	2023 RM'000
Issued and fully paid:				
Balance at beginning and end of the financial year	494,369	494,369	1,387,107	1,387,107

27. RESERVES

	Note	2024 RM'000	2023 RM'000
Regulatory reserve	(a)	43,368	-
Fair value reserve	(b)	8,390	(9,188)
Retained earnings	(c)	3,344,076	3,022,623
		3,395,834	3,013,435

(a) Regulatory reserve is maintained in accordance with BNM's Policy Document on Classification and Impairment Provisions for Financing as an additional credit risk absorbent.

(b) The fair value reserve comprises fair value losses on financial investments measured at FVOCI. In addition, the loss allowances 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.

(c) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

28. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	2024 RM'000	2023 RM'000
<u>Finance income and hibah:</u>		
Financing and advances:		
- Financing income*	2,030,562	1,690,020
- Financing income on impaired financing	1,159	966
Financial assets at fair value through profit or loss	66,998	35,586
Financial investments at fair value through other comprehensive income	250,424	179,181
Financial investments at amortised cost	158,303	149,333
Deposits and placements with banks and other financial institutions	62,883	43,969
Total finance income and hibah	2,570,329	2,099,055
<u>Other operating income:</u>		
Fee and commission income:		
- Fees on financing, advances and securities	52,451	48,903
- Guarantee fees	15,230	16,305
- Remittances	165	101
- Service charges and fees	4,133	3,729
- Others	7,607	6,076
(Loss)/Gain on foreign exchange	(2,098)	1,598
Gain on disposal of financial assets at fair value through profit or loss	3,513	3,003
(Loss)/Gain on revaluation of financial assets at fair value through profit or loss	(1,733)	1,945
Gain/(Loss) on disposal of financial investments at fair value through other comprehensive income	8,783	(69)
Gain from redemption of financial investments at amortised cost	25,774	-
Loss on derivatives	(3,617)	(6,822)
Others	(2)	28
Total other operating income	110,206	74,797
Total	2,680,535	2,173,852

* Included the day-1 modification loss of RM202,000 (2023: net gain from unwinding of day-1 modification loss of RM79,000) arising from government support measures implemented in response to COVID-19 pandemic.

29. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Note	2024 RM'000	2023 RM'000
Income derived from investment of:			
Restricted investment account	(a)	64,291	58,071
Unrestricted investment accounts	(b)	487	3,035
		64,778	61,106

(a) Income derived from investment of restricted investment account

	2024 RM'000	2023 RM'000
Finance income and hibah:		
Financing and advances:		
- Financing income (Note 20(b))	64,291	58,071
Total finance income and hibah	64,291	58,071

(b) Income derived from investment of unrestricted investment accounts

	2024 RM'000	2023 RM'000
Finance income and hibah:		
Financing and advances:		
- Financing income (Note 18(a))	102	2,662
Deposits and placements with banks and other financial institutions (Note 18(a))	385	373
Total finance income and hibah	487	3,035

30. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2024 RM’000	2023 RM’000
Finance income and hibah:		
Financing and advances:		
- Financing income*	172,033	142,220
- Financing income on impaired financing	98	81
Financial assets at fair value through profit or loss	5,676	2,995
Financial investments at fair value through other comprehensive income	21,216	15,079
Financial investments at amortised cost	13,412	12,567
Deposits and placements with banks and other financial institutions	5,328	3,700
Total finance income and hibah	217,763	176,642
Other operating income:		
Fee and commission income:		
- Bancassurance commission	13,213	14,483
- Fees on financing, advances and securities	4,455	4,129
- Guarantee fees	1,290	1,372
- Remittances	148	144
- Service charges and fees	3,408	2,430
- Others	9,301	3,268
(Loss)/Gain on foreign exchange	(178)	134
Gain on disposal of financial assets at fair value through profit or loss	298	253
(Loss)/Gain on revaluation of financial assets at fair value through profit or loss	(147)	164
Gain/(Loss) on disposal of financial investments at fair value through other comprehensive income	744	(6)
Gain from redemption of financial investments at amortised cost	2,184	-
Loss on derivatives	(306)	(574)
Others	-	2
Total other operating income	34,410	25,799
Total	252,173	202,441

* Included the day-1 modification loss of RM17,000 (2023: net gain from unwinding of day-1 modification loss of RM6,000) arising from government support measures implemented in response to COVID-19 pandemic.

31. ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	2024 RM'000	2023 RM'000
Allowances for impairment on financing and advances (Note 11(j))	305,470	294,473
Impaired financing and advances recovered, net	(106,842)	(130,715)
Total	198,628	163,758

32. ALLOWANCES FOR IMPAIRMENT ON FINANCIAL INVESTMENTS

	2024 RM'000	2023 RM'000
Financial investments at amortised cost - sukuk (Note 10)	17,274	14,095
Financial investments at fair value through other comprehensive income - sukuk (Note 9)	3,202	(5,287)
Total	20,476	8,808

33. WRITEBACK OF IMPAIRMENT ON OTHER FINANCIAL ASSETS

	2024 RM'000	2023 RM'000
Cash and short-term funds (Note 6)	7	(143)
Other assets (Note 13)	(54,360)	-
	(54,353)	(143)

34. (WRITEBACK OF PROVISION)/PROVISION FOR COMMITMENTS AND CONTINGENCIES

	2024 RM'000	2023 RM'000
(Writeback of provision)/provision for ECL on financial commitments and financial guarantee contracts (Note 25(d))	(11,881)	7,474

35. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Note	2024 RM’000	2023 RM’000
<u>Non-Mudarabah fund</u>			
Deposits from customers		1,402,433	877,697
Deposits and placements of banks and other financial institutions	(a)	138,387	143,778
		1,540,820	1,021,475
Others		120,603	67,562
Total		1,661,423	1,089,037

(a) Income attributable to deposits and placements of banks and other financial institutions included the fair value gain of RM18.9 million arising from the placements by AmBank from the funds received by AmBank under the government financing scheme for COVID-19 relief measures for previous financial year. During the current financial year, fair value gain amounting to RM11.8 million is reversed due to partial refund of the government scheme. The total unwinding amount for the financial year of RM1.6 million (2023: RM4.4 million), as disclosed in Note 19.

36. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	2024 RM’000	2023 RM’000
<u>Unrestricted</u>		
Customers - investment accounts	56	1,472
<u>Restricted</u>		
Licensed bank - investment account (Note 20(b))	57,862	52,264
	57,918	53,736

37. OTHER OPERATING EXPENSES

	2024 RM'000	2023 RM'000
Personnel costs:		
- Salaries, allowances and bonuses	20,690	20,806
- Amortisation for shares granted under AMMB ESS - charge	1,094	654
- Contributions to EPF/Private Retirement Scheme	3,172	3,281
- Social security cost	94	86
- Others	2,080	2,594
	27,130	27,421
Establishment costs:		
- Amortisation of intangible assets (Note 16)	89	345
- Cleaning, maintenance and security	69	81
- Computerisation costs	1,143	1,150
- Depreciation of property and equipment (Note 14)	175	116
- Depreciation of right-of-use assets (Note 15)	303	412
- Rental of premises	548	413
- Finance costs:		
- Lease liabilities (Note 25(a))	59	88
- Provision for reinstatement of leased premises (Note 25(b))	1	2
- Others	22	21
	2,409	2,628
Marketing and communication expenses:		
- Communication, advertising and marketing expenses	6,530	5,869
- Others	107	88
	6,637	5,957
Administration and general expenses:		
- Professional services	3,805	3,276
- Others	10,159	9,929
	13,964	13,205
Service transfer pricing expenses (net)	423,224	285,989
	473,364	335,200

37. OTHER OPERATING EXPENSES (CONT'D.)

Included in other operating expenses are the following:

	2024 RM'000	2023 RM'000
Auditors' remuneration		
- Audit	347	467
- Regulatory and assurance related	278	156
- Other services	53	146

38. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors of the Bank are as follows:

2024	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer						
Eqhwan Mokhzanee bin Muhammad	1,168	-	1,352	828	80	3,428
Non-Executive Directors:						
Ybhg Dato' Sri Abdul Hamidy Abdul Hafiz	-	160	-	295	15	470
Hajjah Rosmah Ismail	-	150	-	108	4	262
Puan Farina Farikhullah Khan	-	150	-	95	4	249
Encik Azlan Baqee Abdullah	-	150	-	108	4	262
Dr Mohd Nordin Mohd Zain	-	150	-	112	4	266
Mr K. Vithyatharan A/L V Karunakaran	-	150	-	112	3	265
	-	910	-	830	34	1,774
Total remuneration	1,168	910	1,352	1,658	114	5,202

38. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors of the Bank are as follows (Cont'd.):

2023	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer						
Eqhwan Mokhzanee bin Muhammad	1,134	-	982	1,061	6	3,183
Non-Executive Directors:						
Ybhg Dato' Sri Abdul Hamidy Abdul Hafiz	-	160	-	305	9	474
Hajjah Rosmah Ismail	-	150	-	113	4	267
Puan Farina Farikhullah Khan	-	150	-	90	5	245
Encik Azlan Baqee Abdullah	-	150	-	113	4	267
Dr Mohd Nordin Mohd Zain	-	150	-	110	3	263
Mr K. Vithyatharan A/L V Karunakaran	-	150	-	110	3	263
	-	910	-	841	28	1,779
Total remuneration	1,134	910	982	1,902	34	4,962

39. SHARIAH COMMITTEE MEMBERS' REMUNERATION

The total remuneration of the Shariah Committee members of the Bank are as follows:

	Fees RM'000	Allowances RM'000	Total RM'000
2024			
Assoc. Prof. Dr. Ahmad Zaki Bin Salleh	43	10	53
Assoc. Prof. Dr. Zulkifli Bin Hasan [1]	26	6	32
Assoc. Prof. Dr. Mohd Zakhiri Bin Md Nor [2]	6	2	8
Encik Mohd Fadhly Bin Md Yusoff	35	8	43
Prof. Dr. Salina Binti Kassim	35	8	43
Encik Ismail Bin Nik	35	9	44
	180	43	223
2023			
Asst. Prof. Dr. Tajul Aris Bin Ahmad Bustami [3]	9	2	11
Assoc. Prof. Dr. Asmak Binti Ab Rahman [3]	9	2	11
Assoc. Prof. Dr. Ahmad Zaki Bin Salleh	42	9	51
Assoc. Prof. Dr. Zulkifli Bin Hasan	35	5	40
Assoc. Prof. Dr. Mohd Zakhiri Bin Md Nor	35	7	42
Encik Mohd Fadhly Bin Md Yusoff [4]	32	5	37
Prof. Dr. Salina Binti Kassim [5]	26	4	30
Encik Ismail Bin Nik [6]	6	1	7
	194	35	229

Note:

[1] Resigned on 12 December 2023
[2] Tenure ended on 30 April 2023
[3] Tenure ended on 30 June 2022
[4] Appointed on 1 May 2022
[5] Appointed on 1 July 2022
[6] Appointed on 1 February 2023

Payment of remuneration to the Shariah Committee is on shared basis arrangement with AmInvestment Bank Berhad and the amounts stated are solely from the Bank's portion.

40. FINANCE COSTS

Finance costs are mainly in respect of income attributable to investors of the Subordinated Sukuk and Senior Sukuk programmes.

41. TAXATION

Taxation consists of the following:

	2024 RM'000	2023 RM'000
Current tax:		
- Estimated tax payable	119,621	158,512
- Over provision in prior financial year	(461)	(1,279)
	119,160	157,233
Deferred tax (Note 24):		
- Origination and reversal of temporary differences	4,906	(1,877)
- Under provision in prior financial year	201	984
	5,107	(893)
Taxation	124,267	156,340

Domestic income tax is calculated at the statutory tax rate of 24% (2023: 24%) on the estimated chargeable profit for the financial year. The computation of deferred tax for the current financial year is based on the tax rate of 24% (2023: 24%).

41. TAXATION (CONT'D.)

A reconciliation of taxation applicable to profit before zakat and taxation at the statutory tax rate to taxation at the effective tax rate of the Bank is as follows:

	2024 RM'000	2023 RM'000
Profit before zakat and taxation	558,304	692,060
Taxation at Malaysian statutory tax rate of 24% (2023: 24%)	133,993	166,094
Income not subject to tax	(9,734)	(9,706)
Expenses not deductible for tax purposes	300	339
Tax recoverable recognised on income subject to tax remission	(32)	(92)
Over provision of current tax in prior financial year	(461)	(1,279)
Under provision of deferred tax in prior financial year	201	984
Taxation for the financial year	124,267	156,340

42. BASIC/DILUTED EARNINGS PER SHARE

	2024	2023
Net profit attributable to equity holder of the Bank (RM'000)	430,572	531,931
Number of ordinary shares ('000)	494,369	494,369
Basic/diluted earnings per share (sen)	87.10	107.60

43. DIVIDENDS

	2024 RM'000	2023 RM'000
In respect of the financial year ended 31 March 2024:		
Interim single-tier dividend of 13.3 sen per share	65,751	-

The Directors propose the payment of a final single-tier dividend of 4.1 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM20,269,110 in respect of the current financial year ended 31 March 2024. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2025.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions or if one party controls both parties.

The related parties of the Bank are:

(i) Related companies

These are the holding company and subsidiaries of the holding company.

(ii) Key management personnel ("KMP")

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. The key management personnel of the Bank includes the Chief Executive Officer and Non-Executive Directors of the Bank and the holding company (including close members of their families).

(iii) Associates and joint ventures of the holding company ("Associates and joint ventures")

Associates of the holding company are AmFirst Real Estate Investment Trust ("AmFirst REIT"), Bonuskad Loyalty Sdn Bhd and Liberty Global Holdings Sdn Bhd (formely known as Liberty Insurance Berhad).

The joint ventures of the holding company are AmMetlife Takaful Berhad and AmMetLife Insurance Berhad.

(iv) Companies in which certain KMP have substantial financial interest

These are entities in which significant voting power in such entities, directly or indirectly resides with certain KMP of the Bank and the holding company.

(v) Companies which have significant influence over the holding company

These are entities who are substantial shareholders (including its related parties) of the holding company of the Bank.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Bank had the following transactions with related parties during the financial year:

	Related companies		Key management personnel		Companies which certain KMP have substantial financial interest		Associates and joint ventures	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Income								
Profit on financing and advances	-	-	87	44	-	-	-	-
Profit on deposit	359	-	-	-	-	-	-	-
Bancassurance commission	-	85	-	-	-	-	213	2,602
Gain on derivatives	-	2,005	-	-	-	-	-	-
Foreign exchange gain	8,307	-	-	-	-	-	-	-
	8,666	2,090	87	44	-	-	213	2,602
Expenses								
Insurance premium	-	-	-	-	-	-	857	1,000
Profit on deposits	65,765 *	65,779 *	181	352	-	49	-	-
Profit on restricted investment account	57,862	52,265	-	-	-	-	-	-
Service transfer pricing expense, net	423,224	285,989	-	-	-	-	-	-
Travelling expenses	-	-	-	-	-	54	-	-
Profit expense on derivatives	2,502	6,220	-	-	-	-	-	-
Rental expenses	771	795	-	-	-	-	-	-
Training expenses	-	-	-	-	-	3	-	-
Loss on derivatives	1,713	-	-	-	-	-	-	-
Foreign exchange loss	-	14,298	-	-	-	-	-	-
	551,837	425,346	181	352	-	106	857	1,000

* Included fair value gain of RM18.9 million in previous financial year arising from the differential between the concession rates received and market rates of the placements made by AmBank. During the current financial year, fair value gain amounting to RM11.8 million is reversed due to partial refund of the government scheme. The total unwinding amount for the financial year is amounted to RM1.6 million (2023: RM4.4 million) (Note 35).

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the significant outstanding balances of the Bank with its related parties are as follows:

	Related companies		Key management personnel		Companies which certain KMP have substantial financial interest		Associates and joint ventures	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Assets								
Derivative financial assets	5,547	24,840	-	-	-	-	-	-
Financing and advances	-	-	4,504	2,448	-	-	-	-
Other receivables	1,233,512	206,712	-	-	-	-	13	-
	1,239,059	231,552	4,504	2,448	-	-	13	-
Liabilities								
Deposits and placements	873,542	1,951,680	7,509	17,924	-	-	380	447
Derivative financial liabilities	35,607	14,204	-	-	-	-	-	-
Investment account due to a licensed bank	1,366,363	1,538,521	-	-	-	-	-	-
Other payables	1	18	-	-	-	-	-	-
Profit payables	5,296	9,199	-	-	-	-	-	-
	2,280,809	3,513,622	7,509	17,924	-	-	380	447
Commitments and contingencies								
Commitments	-	-	583	574	-	-	-	-
Contingent liabilities	5,000	5,000	-	-	-	-	-	-
Contract/notional amount for derivatives	1,815,358	2,366,179	-	-	-	-	-	-
	1,820,358	2,371,179	583	574	-	-	-	-

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) The transactions between the Bank and related parties took place at terms agreed between the parties during the financial year.

(d) Key management personnel compensation

The remuneration of the Chief Executive Officer and the Directors, who are also the key management personnel, during the year is disclosed in Note 38.

(e) The Bank incurs intercompany charges for shared operating costs of the AMMB Group in Malaysia as disclosed under Service Transfer Pricing expenses, net. The services received relate to expenses incurred for business segment (wholesale, business banking and retail banking) group shared services in respect of information services, internal audit, risk management, finance, human resource, marketing and communications, legal, company secretarial, group operations, property and administration and compliance.

(f) There were no granting of financing to the Directors of the Bank other than in the normal course of business of the Bank. Financing made to Directors and other key management personnel of the Bank are on similar terms and conditions generally available to other employees within the Bank. No provisions have been recognised in respect of financing given to Directors and key management personnel.

45. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2024	2023
Outstanding credit exposures with connected parties (RM'000)	2,047,629	1,410,398
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.11	2.83
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	0.00	0.00

45. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks issued on 16 July 2014.

Based on these guidelines, a connected party refers to the following:

(i) directors of the Bank and their close relatives;

(ii) controlling shareholder and his close relatives;

(iii) influential shareholder and his close relatives;

(iv) executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(v) officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(vi) firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) any person for whom the persons listed in (i) to (v) above is a guarantor; or

(viii) subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed include the extension of credit facility and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and corporate bonds and/or sukuk issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

46. CAPITAL COMMITMENTS

The Bank has no capital commitments as at 31 March 2024 and 31 March 2023.

47. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The principal amounts of the commitments and contingencies and notional contracted amounts of derivatives of the Bank are as follows:

	2024 RM'000	2023 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,371,330	5,029,138
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	888,936	1,047,668
Unutilised credit card lines	1,597,265	1,705,540
Forward asset purchase	213,211	-
	9,070,742	7,782,346
Contingencies		
Direct credit substitutes	262,092	723,168
Transaction related contingent items	1,653,847	970,420
Short-term self-liquidating trade-related contingencies	97,000	87,309
Obligations under on-going underwriting agreements	-	150,000
	2,012,939	1,930,897
Derivative financial instruments		
Foreign exchange related contracts:		
- One year or less	2,501,706	2,882,476
- Over one year to five years	315,363	1,018,061
Profit rate related contracts:		
- One year or less	350,000	-
- Over one year to five years	-	350,000
Commodity related contracts:		
- One year or less	80,115	-
- Over one year to five years	-	74,952
	3,247,184	4,325,489
Total	14,330,865	14,038,732

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows assets and liabilities analysed according to when they are expected to be recovered or settled.

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2024			
ASSETS			
Cash and short-term funds	775,179	-	775,179
Derivative financial assets	34,437	7,480	41,917
Financial assets at fair value through profit or loss	3,011,632	224,174	3,235,806
Financial investments at fair value through other comprehensive income	1,489,903	5,224,005	6,713,908
Financial investments at amortised cost	110,493	3,749,164	3,859,657
Financing and advances	11,196,985	33,785,402	44,982,387
Statutory deposit with Bank Negara Malaysia	-	920,000	920,000
Deferred tax asset	-	52,425	52,425
Other assets	1,386,343	173,716	1,560,059
Property and equipment	-	251	251
Right-of-use assets	-	1,981	1,981
Intangible assets	-	220	220
TOTAL ASSETS	18,004,972	44,138,818	62,143,790
LIABILITIES			
Deposits from customers	47,877,335	356,958	48,234,293
Investment accounts of customers	14,059	-	14,059
Deposits and placements of banks and other financial institutions	2,702,465	212,746	2,915,211
Investment account due to a licensed bank	-	1,366,363	1,366,363
Recourse obligation on financing sold to Cagamas Berhad	605,000	1,610,002	2,215,002
Derivative financial liabilities	34,415	6,615	41,030
Term funding	-	834,977	834,977
Subordinated Sukuk	-	1,300,000	1,300,000
Other liabilities	383,798	52,898	436,696
Provision for zakat	3,218	-	3,218
TOTAL LIABILITIES	51,620,290	5,740,559	57,360,849

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2023			
ASSETS			
Cash and short-term funds	2,113,367	-	2,113,367
Derivative financial assets	18,517	17,846	36,363
Financial assets at fair value through profit or loss	2,576,789	-	2,576,789
Financial investments at fair value through other comprehensive income	2,597,335	3,924,789	6,522,124
Financial investments at amortised cost	32,377	4,147,609	4,179,986
Financing and advances	11,945,173	33,016,702	44,961,875
Statutory deposit with Bank Negara Malaysia	-	880,000	880,000
Deferred tax asset	-	62,072	62,072
Other assets	329,946	167,853	497,799
Property and equipment	-	324	324
Right-of-use assets	-	2,284	2,284
Intangible assets	-	298	298
TOTAL ASSETS	19,613,504	42,219,777	61,833,281
LIABILITIES			
Deposits from customers	44,557,782	694,728	45,252,510
Investment accounts of customers	16,474	-	16,474
Deposits and placements of banks and other financial institutions	4,574,767	188,453	4,763,220
Investment account due to a licensed bank	-	1,538,521	1,538,521
Recourse obligation on financing sold to Cagamas Berhad	3,315,004	-	3,315,004
Derivative financial liabilities	17,622	19,192	36,814
Term funding	-	834,907	834,907
Subordinated Sukuk	-	1,300,000	1,300,000
Other liabilities	325,039	46,078	371,117
Provision for zakat	4,172	-	4,172
TOTAL LIABILITIES	52,810,860	4,621,879	57,432,739

49. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

49. CAPITAL MANAGEMENT (CONT'D.)

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020 in which the Bank is allowed to add back a portion of the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from financial year 2021 to financial year 2024.

(a) Capital adequacy

The capital adequacy ratios of the Bank as at 31 March are as follows:

Under transitional arrangement Note (i)

	2024	2023
Before deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	13.103%	12.616%
Tier 1 Capital Ratio	13.103%	12.616%
Total Capital Ratio	17.774%	17.127%
After deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	13.047%	12.616%
Tier 1 Capital Ratio	13.047%	12.616%
Total Capital Ratio	17.719%	17.127%

49. CAPITAL MANAGEMENT (CONT'D.)

(a) Capital adequacy (Cont'd.)

Notes:

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 15 December 2023, the capital ratios of the Bank had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangement not been applied, the capital ratios of the Bank as at 31 March are as follow:

	2024	2023
Before deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	12.808%	12.026%
Tier 1 Capital Ratio	12.808%	12.026%
Total Capital Ratio	17.530%	16.801%
After deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	12.753%	12.026%
Tier 1 Capital Ratio	12.753%	12.026%
Total Capital Ratio	17.475%	16.801%

(ii) 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 Convesation 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").

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET 1 Capital, Tier 2 Capital and Total Capital of the Bank as at 31 March are as follows:

	2024 RM'000	2023 RM'000
CET 1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	3,344,076	3,022,623
Fair value reserve	8,390	(9,188)
Regulatory reserve	43,368	-
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(220)	(298)
- Deferred tax assets	(52,449)	(62,097)
- 55% of cumulative gains of FVOCI financial instruments	(4,615)	-
- Regulatory reserve	(43,368)	-
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(44)	(75)
- Other CET 1 regulatory adjustment specified by BNM	107,754	212,690
CET1 Capital/Tier 1 Capital	4,789,999	4,550,762
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,300,000
General provision*	407,645	327,419
Tier 2 Capital	1,707,645	1,627,419
Total Capital	6,497,644	6,178,181

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

	2024 RM'000	2023 RM'000
Credit RWA	35,468,914	35,344,046
Less : Credit RWA absorbed by Profit Sharing Investment Account	(1,371,871)	(1,545,037)
Total Credit RWA	34,097,043	33,799,009
Market RWA	345,524	304,677
Operational RWA	2,114,545	1,969,050
Total RWA	36,557,112	36,072,736

* Consists of Stage 1 and Stage 2 loss allowances.

50. RISK MANAGEMENT

50.1 GENERAL RISK MANAGEMENT

Risk Management Framework

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

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

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

AMMB Group Risk Direction

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

- AMMB Group aspires to have a minimum 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 Ratings Based ("FIRB").

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT (CONT'D.)

AMMB Group Risk Direction (Cont'd.)

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

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

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

- 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 0.8% of Profit after Zakat and Taxation ("PAZT"); and
  - Remain vigilant in risk identification and management to protect its reputation and business franchise.

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

- AMMB Group aims to maintain its Rate of Return Risk in Banking Book ("RORBB") Internal Capital Adequacy Assessment Programme (“ICAAP”) Pillar 2 over total capital ratio for the Bank at below 10%.

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT (CONT'D.)

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

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

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

Impact of Expired Payment Holiday/Repayment Assistance

Consumer and Small Medium Enterprises ("SMEs") that are still on payment holiday and repayment assistance ("PH/RA") plans due to the COVID-19 pandemic is no longer a significant part of the portfolio. However, AMMB Group remains cautious of the quality of this portfolio, especially those that have expired from multiple enrolments of the assistance programs. Close monitoring is being carried out on the remaining accounts in this segment and the portfolio has been assessed to ensure sufficient provisions have been allocated accordingly.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD") • Expected loss ("EL") • Gross impaired financing ("GIF")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assessment criteria and acceptance criteria (program lending)
Monitoring/ Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Account • Undertake 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 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 Note 50.9 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.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

For non-retail credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the Bank's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for the Bank's credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

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

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

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

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

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure.
- Setting Financing to Value limits for asset backed financing;
- Non-Retail Credit Policy ("NRCP") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") portfolios;
- Classified Account Management requirements are in place for the non-retail portfolio, this sets out the identification and management (including monitoring requirements) of customers that exhibit significant increase in credit risk or show symptoms of potential credit issues;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB, and RCP for RB) sets out the controls in managing R&R financing; and
- Setting Retail risk controls capping for higher risk segment, to ensure credit approval practice is aligned with the credit policies and GRAF.

50. RISK MANAGEMENT (CONT'D.)

50.2 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 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 Management 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.

Credit Risk Exposure and Concentration

The Bank's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit ("SCL"). The Bank applies SCLs to monitor the large exposures to single counterparty risk.

For financial assets recognised in the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking account of any collateral held or other credit enhancements.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis

2024	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	86,280	86,280
Derivative financial assets	-	-	30,864	25	-	103	-	10,920	41,912
Financial assets at fair value through profit or loss									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	49,817	-	-	-	-	10,066	59,883
Total financial assets at fair value through profit or loss	-	-	49,817	-	-	-	-	10,066	59,883
Financial investments at fair value through other comprehensive income									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	219,178	351,187	29,793	454,393	100,953	213,049	375,190	1,479,811	3,223,554
Total financial investments at fair value through other comprehensive income	219,178	351,187	29,793	454,393	100,953	213,049	375,190	1,479,811	3,223,554
Financial investments at amortised cost									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	100,000	537,405	-	96,000	1,120,017	-	585,916	-	2,439,338
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	100,000	537,405	-	96,000	1,120,017	-	585,916	-	2,439,338
Financing and advances									
Retail banking	6,272	4,508	45,459	6,516	41,937	133,738	23,236	751	262,417
Wholesale banking	947,997	506,406	1,101,168	209,637	299,691	771,555	492,365	3,593,029	7,921,848
Business banking	445,549	55,057	3,038,220	501,392	574,343	2,615,805	1,545,638	50,924	8,826,928
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financing and advances	1,399,818	565,971	4,184,847	717,545	915,971	3,521,098	2,061,239	3,644,704	17,011,193
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Other financial assets	663	14,480	721	6,263	15,059	183	3,888	1,251,377	1,292,634
Commitments	151,763	39,347	1,971,661	180,623	741,941	930,976	1,298,763	533,100	5,848,174
Contingencies	11,536	32,480	763,890	201,610	631,572	118,590	82,273	5,353	1,847,304
Total commitments and contingencies	163,299	71,827	2,735,551	382,233	1,373,513	1,049,566	1,381,036	538,453	7,695,478

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2024	Subtotal from previous page	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Allowances for ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	86,280	688,915	-	-	-	-	-	(16)	775,179
Derivative financial assets	41,912	-	-	5	-	-	-	-	41,917
Financial assets at fair value through profit or loss									
Money market securities	-	3,175,923	-	-	-	-	-	-	3,175,923
Unquoted sukuk	59,883	-	-	-	-	-	-	-	59,883
Total financial assets at fair value through profit or loss	59,883	3,175,923	-	-	-	-	-	-	3,235,806
Financial investments at fair value through other comprehensive income									
Money market securities	-	2,808,361	-	-	-	-	-	-	2,808,361
Unquoted sukuk	3,223,554	-	266,358	-	20,240	-	345,186	-	3,855,338
Total financial investments at fair value through other comprehensive income	3,223,554	2,808,361	266,358	-	20,240	-	345,186	-	6,663,699
Financial investments at amortised cost									
Money market securities	-	1,057,168	-	-	-	-	-	-	1,057,168
Unquoted sukuk	2,439,338	-	166,948	5,000	-	-	668,209	-	3,279,495
Allowances for ECL	-	-	-	-	-	-	-	(477,006)	(477,006)
Total financial investments at amortised cost	2,439,338	1,057,168	166,948	5,000	-	-	668,209	(477,006)	3,859,657
Financing and advances									
Retail banking	262,417	-	20,988	48,196	10,121	25,006,853	-	-	25,348,575
Wholesale banking	7,921,848	-	523,009	5,624	105,719	-	-	-	8,556,200
Business banking	8,826,928	-	1,380,522	1,146,993	317,120	49,252	-	-	11,720,815
Allowances for ECL	-	-	-	-	-	-	-	(643,203)	(643,203)
Total financing and advances	17,011,193	-	1,924,519	1,200,813	432,960	25,056,105	-	(643,203)	44,982,387
Statutory deposit with Bank Negara Malaysia	-	920,000	-	-	-	-	-	-	920,000
Other financial assets	1,292,634	152,234	1,992	78	422	-	4,501	-	1,451,861
Commitments	5,848,174	213,211	223,559	151,512	152,039	2,482,247	-	-	9,070,742
Contingencies	1,847,304	-	100,281	46,109	19,245	-	-	-	2,012,939
Total commitments and contingencies	7,695,478	213,211	323,840	197,621	171,284	2,482,247	-	-	11,083,681

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2023	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	68,033	68,033
Derivative financial assets	-	32	4,320	81	-	177	-	31,667	36,277
Financial assets at fair value through profit or loss									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	59,961	-	-	100,000	229,426	-	389,387
Total financial assets at fair value through profit or loss	-	-	59,961	-	-	100,000	229,426	-	389,387
Financial investments at fair value through other comprehensive income									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	216,963	353,409	104,359	377,092	75,533	213,278	322,587	1,478,374	3,141,595
Total financial investments at fair value through other comprehensive income	216,963	353,409	104,359	377,092	75,533	213,278	322,587	1,478,374	3,141,595
Financial investments at amortised cost									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	100,000	537,405	-	96,000	1,120,319	254,698	582,191	-	2,690,613
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	100,000	537,405	-	96,000	1,120,319	254,698	582,191	-	2,690,613
Financing and advances									
Retail banking	7,062	4,926	42,880	6,663	45,254	151,038	25,700	938	284,461
Wholesale banking	1,103,240	589,428	1,402,548	156,305	228,672	778,113	303,061	3,772,110	8,333,477
Business banking	749,453	35,021	3,414,320	375,473	695,694	2,342,982	1,366,821	25,100	9,004,864
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financing and advances	1,859,755	629,375	4,859,748	538,441	969,620	3,272,133	1,695,582	3,798,148	17,622,802
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Other financial assets	680	13,185	1,701	5,061	14,668	892	8,835	220,631	265,653
Commitments	105,600	41,553	1,686,862	78,104	1,277,373	894,785	479,419	56,325	4,620,021
Contingencies	16,927	31,319	490,051	254,923	802,366	90,992	57,927	5,353	1,749,858
Total commitments and contingencies	122,527	72,872	2,176,913	333,027	2,079,739	985,777	537,346	61,678	6,369,879

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2023	**Subtotal from previous page**	**Government and Central Banks**	**Real Estate**	**Business Activities**	**Education and Health**	**Household**	**Others**	**Allowances for ECL**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	68,033	2,045,342	-	-	-	-	-	(8)	2,113,367
Derivative financial assets	36,277	86	-	-	-	-	-	-	36,363
Financial assets at fair value through profit or loss									
Money market securities	-	2,078,635	-	-	-	-	-	-	2,078,635
Unquoted sukuk	389,387	-	108,767	-	-	-	-	-	498,154
Total financial assets at fair value through profit or loss	389,387	2,078,635	108,767	-	-	-	-	-	2,576,789
Financial investments at fair value through other comprehensive income									
Money market securities	-	2,960,007	-	-	-	-	-	-	2,960,007
Unquoted sukuk	3,141,595	-	64,298	-	-	-	356,224	-	3,562,117
Total financial investments at fair value through other comprehensive income	3,141,595	2,960,007	64,298	-	-	-	356,224	-	6,522,124
Financial investments at amortised cost									
Money market securities	-	1,648,681	-	-	-	-	-	-	1,648,681
Unquoted sukuk	2,690,613	-	20,000	5,000	-	-	275,424	-	2,991,037
Allowances for ECL	-	-	-	-	-	-	-	(459,732)	(459,732)
Total financial investments at amortised cost	2,690,613	1,648,681	20,000	5,000	-	-	275,424	(459,732)	4,179,986
Financing and advances									
Retail banking	284,461	-	17,251	39,342	10,301	24,489,548	-	-	24,840,903
Wholesale banking	8,333,477	-	892,743	19,187	132,683	-	-	-	9,378,090
Business banking	9,004,864	-	1,409,016	641,184	298,747	68,060	-	-	11,421,871
Allowances for ECL	-	-	-	-	-	-	-	(678,989)	(678,989)
Total financing and advances	17,622,802	-	2,319,010	699,713	441,731	24,557,608	-	(678,989)	44,961,875
Statutory deposit with Bank Negara Malaysia	-	880,000	-	-	-	-	-	-	880,000
Other financial assets	265,653	119,019	398	78	-	-	4,320	-	389,468
Commitments	4,620,021	-	229,234	92,379	93,386	2,747,326	-	-	7,782,346
Contingencies	1,749,858	-	109,266	54,772	17,001	-	-	-	1,930,897
Total commitments and contingencies	6,369,879	-	338,500	147,151	110,387	2,747,326	-	-	9,713,243

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(ii) Geographical Analysis

2024	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	688,915	86,280	775,195
Less: Allowances for ECL	-	(16)	(16)
Total cash and short-term funds	688,915	86,264	775,179
Derivative financial assets	41,917	-	41,917
Financial assets at fair value through profit or loss			
Money market securities	3,175,923	-	3,175,923
Unquoted sukuk	59,883	-	59,883
Total financial assets at fair value through profit or loss	3,235,806	-	3,235,806
Financial investments at fair value through other comprehensive income			
Money market securities	2,808,361	-	2,808,361
Unquoted sukuk	3,855,338	-	3,855,338
Total financial investments at fair value through other comprehensive income	6,663,699	-	6,663,699
Financial investments at amortised cost			
Money market securities	1,057,168	-	1,057,168
Unquoted sukuk	3,279,495	-	3,279,495
Less: Allowances for ECL	(477,006)	-	(477,006)
Total financial investments at amortised cost	3,859,657	-	3,859,657
Financing and advances			
Retail banking	25,348,575	-	25,348,575
Wholesale banking	8,556,200	-	8,556,200
Business banking	11,720,815	-	11,720,815
Less: Allowances for ECL	(643,203)	-	(643,203)
Total financing and advances	44,982,387	-	44,982,387
Statutory deposit with Bank Negara Malaysia	920,000	-	920,000
Other financial assets	1,451,700	161	1,451,861
Commitments	9,070,742	-	9,070,742
Contingencies	2,012,939	-	2,012,939
Total commitments and contingencies	11,083,681	-	11,083,681

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(ii) Geographical Analysis (Cont'd.)

2023	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	2,045,342	68,033	2,113,375
Less: Allowances for ECL	-	(8)	(8)
Total cash and short-term funds	2,045,342	68,025	2,113,367
Derivative financial assets	36,363	-	36,363
Financial assets at fair value through profit or loss			
Money market securities	2,078,635	-	2,078,635
Unquoted sukuk	498,154	-	498,154
Total financial assets at fair value through profit or loss	2,576,789	-	2,576,789
Financial investments at fair value through other comprehensive income			
Money market securities	2,960,007	-	2,960,007
Unquoted sukuk	3,562,117	-	3,562,117
Total financial investments at fair value through other comprehensive income	6,522,124	-	6,522,124
Financial investments at amortised cost			
Money market securities	1,648,681	-	1,648,681
Unquoted sukuk	2,991,037	-	2,991,037
Less: Allowances for ECL	(459,732)	-	(459,732)
Total financial investments at amortised cost	4,179,986	-	4,179,986
Financing and advances			
Retail banking	24,840,903	-	24,840,903
Wholesale banking	9,378,090	-	9,378,090
Business banking	11,421,871	-	11,421,871
Less: Allowances for ECL	(678,989)	-	(678,989)
Total financing and advances	44,961,875	-	44,961,875
Statutory deposit with Bank Negara Malaysia	880,000	-	880,000
Other financial assets	389,449	19	389,468
Commitments	7,782,346	-	7,782,346
Contingencies	1,930,897	-	1,930,897
Total commitments and contingencies	9,713,243	-	9,713,243

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

COLLATERAL AND OTHER CREDIT ENHANCEMENT

Collateral taken by the Bank

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

The Bank can only accept Shariah-approved assets as collateral. Notwithstanding, for specific products, a collateral that becomes non-Shariah compliant during the tenure of financing may continue to be maintained as collateral.

The Credit Risk Mitigation Policy is the internally recognised collateral framework for AMMB Group. Any collateral that does not conform to the requirements outlined in that policy may be considered by the relevant approval authority to be accepted and approved as an exception. For capital relief purposes, Basel Foundation IRB requirements set out in BNM's Capital Adequacy Framework are to be met failing which, no capital relief is to be accorded.

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 Bank has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for financing proposals are an integral component in transaction structuring for the Bank. Where a counterparty’s corporate guarantor guarantees 100% of the credit facility, the credit risk rating of the counterparty is able to be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions for Non-Retail portfolio. Otherwise, if the stipulated conditions are met but the guarantee is <100%, the weighted-average method is able to be employed.

Use of Credit Derivatives and Netting for Risk Mitigation

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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

COLLATERAL AND OTHER CREDIT ENHANCEMENT (CONT'D.)

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 financing, amortisation schedules and financing covenants. These assist in managing credit risk and providing early warning signals, to enable pre-emptive actions to protect the quality or recoverability of financing assets.

Concentrations of Credit Risk Mitigation

The Bank carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its GRAF and related policies governing Financing to Value metrics.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail financing business are currently aligned to eight rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the Categories for Retail Banking

Risk Grade	Category	PD Range	Description
1 to 6	Exceptionally Strong	0.0001% to 0.0737%	• Exceptionally good credit risk profile with exceptionally low PD of <0.1%. • Exceptionally strong capacity and willingness to meet its financial commitments as evidenced by prompt repayment track record. • Exhibits very high degree of resilience to adverse development in view of its very established employment profile and track record.
7 to 12	Very Strong	0.0738% to 0.5942%	• Very good credit risk profile with very low PD of <0.6%. • Very strong capacity and willingness to meet its financial commitments as evidenced by generally prompt repayment track record. • Exhibits high degree of resilience to adverse development in view of its established employment profile and track record.
13 to 14	Strong	0.5943% to 1.0159%	• Good credit risk profile with low PD of <1.1%. • Exhibits willingness to meet its financial commitments as evidenced by good repayment track record. • Generally in a position to withstand adverse development in view of its favourable employment profile and track record.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the Categories for Retail Banking (Cont'd.)

Risk Grade	Category	PD Range	Description
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile with acceptable PD of <2.3%. • Adequate willingness to meet its financial commitments as evidenced by satisfactory repayment track record. • Generally in a position to resolve any apparent shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile with moderate PD of up to 4.1%. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. • Generally in a position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile with higher PD of up to 8.2931%. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions as generally evidenced by fair repayment track record. • Moderate employment profile and track record.
21 to 24	Substandard	>= 8.2932%	• Substandard credit risk profile with poor PD of >=8.2932%. • Exhibits less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record. • Unfavourable employment profile and track record.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the Categories for Retail Banking (Cont'd.)

Risk Grade	Category	PD Range	Description
99	Impaired	100%	• Impaired account. Classified as impaired as per the prevailing policy/guideline.

Description of the categories for Non-Retail Banking

Credit Quality Classification	**Description**
Exceptionally Strong	Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are:- - Exceptionally solid and stable operating and financial performance; - Debt servicing capacity has been exceptionally strong over the long term; - All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future; and - Highly unlikely to be adversely affected by foreseeable events.
Very Strong	Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are:- - Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk; and - Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Non-Retail Banking (Cont'd.)

Credit Quality Classification	Description
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:- - Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance; and - Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:- - Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/or operating performance; - Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity; and - Counterparty’s financial and/or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.
Moderate	Counterparties demonstrate limited operational and financial stability and may have a track record of fluctuating and poor earnings and profitability evidencing their past susceptibility to cyclical trends. The key characteristics are:- - Capacity for timely fulfillment of financial obligations exists; - Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run; and - Overall credit quality may be more volatile within this category.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Non-Retail Banking (Cont'd.)

Credit Quality Classification	Description
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are:- - Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct; - Debt servicing capacity is marginal; - Often under strong, sustained competitive pressure; - Variability and uncertainty in profitability and liquidity are projected to continue over the short and possibly medium term; and - Significant changes and instability in senior management may be observed.
Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are:- - Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct; - Current and expected debt servicing capacity is inadequate; - Financial solvency is questionable and/or financial structure is weak; - Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state; and - Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as “impaired” as per the prevailing policy/guidelines.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment

The relevant 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 obligor has breached its contractual payment obligations and past due for more than 90 days; or

(b) As soon as default occurs where the principal and/or profit payments are scheduled on intervals of 3 months or longer; or

(c) Other indicators stipulated in the relevant guidelines indicating the unlikeliness to repay are hit.

Impaired accounts which undergo restructuring/rescheduling will continue to be impaired for at least 6 months.

AMMB Group Provisioning Methodology

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

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

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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

AMMB Group Provisioning Methodology (Cont'd.)

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

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

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

Measurement of ECL

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

Change in credit quality since initial recognition

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

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

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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

The key judgments and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

Significant increase in credit risk ("SICR")

The Bank considers a financial instrument to have experienced a SICR when it is more than 30 days past due on its contractual payments or when a quantitative and qualitative analysis, based on the Bank's historical experience, expert credit assessment and forward-looking information indicates as such. The requirement is to calculate remaining lifetime ECL at the reporting date when the financial instrument experienced SICR, compared to 12-month ECL calculation when exposure was initially recognised.

(i) <u>Quantitative</u>

Each exposure is allocated to a credit risk grade at initial recognition based on a variety of data that is determined to be predictive of the risk of default and experienced credit judgment about the customer. Factors determining credit risk grades vary depending on nature of exposures and type of customers. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. There are 4 risk bands i.e. low risk, medium risk, high risk and very high risk whereby movements to a poorer band may result in SICR.

(ii) <u>Qualitative</u>

The Bank may determine that an exposure has undergone a SICR experience using its expert credit risk judgment and where possible, relevant historical experience based on qualitative indicators specified by the Bank's watchlist criteria that it considers as such and whose effect may not otherwise be fully reflected in quantitative analysis on a timely basis.

In relation to non-retail financial instruments, where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty customer basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Wholesale Credit Risk team and Business Credit Risk team.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all financial instruments held by the Bank.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(i) Quantitative criteria

The customer is considered in default if its contractual payments is more than 90 days past due.

(ii) Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These include instances where:

- The customer has ceased operations due to financial distress;
- The customer/corporate guarantor is classified as PN4/PN16/PN17/GN3 by Bursa Malaysia;
- A winding up petition has been lodged against customer;
- Bankruptcy proceeding has been initiated by creditors/other lenders or;
- A Receiver and Manager has been appointed.

The quantitative criteria above have been applied to all financial instruments held by the Bank while the qualitative criteria mainly applicable to non-retail portfolio and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Exposure At Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD") throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets the quantitative default criteria.

For non-retail portfolio, reclassification to performing status can be considered subject to the following:

- Satisfactory conduct of the counterparty's payment conduct for at least a 6-month observation period;
- Assessment of the viability of the customer's business;
- All arrears are settled/regularised.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the following variables:
- PD;
- LGD; and
- EAD.

or
- Historical Loss Rate ("LR")

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Credit risk grades are a primary input in the determination of PD term structure for exposures. If a counterparty or exposure migrates between rating grades, then this will lead to a change in associated PD. The Bank collects performance and default information about its credit risk exposures analysed by portfolio.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the EPR as the discount factor.

EAD represents the expected exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of an on-balance sheet asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Historical LR represents the past record of average loss experience for financial assets of similar classes.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Forward-looking information incorporated in the ECL models

The measurement of ECL also takes into account the expected credit condition over the remaining life of the financial assets. Forward-looking models are built based on statistical relationship established between Observed Default Rate ("ODR") and Macroeconomic Variables ("MEVs").

This analysis includes the identification and calibration of relationships between changes in default rates and to the MEVs. Examples of key macroeconomic indicators include Gross Domestic Product ("GDP") growth, Consumer Price Index ("CPI"), House Price Index ("HPI"), foreign exchange (USD/MYR) and Brent Crude Oil Price.

Three scenarios are projected for forward-looking namely base case, optimistic and pessimistic which requires management judgment of the economic situation i.e. normal, bullish or downturn. A weightage is applied to the scenarios to produce an appropriate forward-looking ECL to best reflect the forward-looking economic outlook.

Key variables/assumptions for ECL calculations

The recognition and measurement of ECL is highly complex and involves the use of significant judgment and estimation. This includes establishing the forward-looking macroeconomic conditions into ECL as required under MFRS 9. The allowances for ECL is sensitive to the inputs used and economic assumptions underlying the estimate.

The following table shows the forecast of key economic variables used in forward-looking models for ECL calculations for financial year ended 31 March 2024 and 31 March 2023.

31 March 2024

Macroeconomy Variable List	Forward-Looking Scenario	Assigned Probabilities (%)	2024	2025	2026	2027	2028
Consumer Price Index (%)	Base	60%	2.95	2.53	2.25	2.45	2.33
	Optimistic	10%	3.25	2.78	2.48	2.70	2.56
	Pessimistic	30%	2.51	2.15	1.91	2.08	1.98
GDP Growth (%)	Base	60%	4.53	4.75	4.50	4.40	4.33
	Optimistic	10%	4.98	5.23	4.95	4.84	4.76
	Pessimistic	30%	3.85	4.04	3.83	3.74	3.68
House Price Index (%)	Base	60%	3.84	4.47	3.08	2.83	2.83
	Optimistic	10%	4.22	4.91	3.38	3.11	3.11
	Pessimistic	30%	3.26	3.80	2.62	2.40	2.40
USD/ MYR Exchange Rate	Base	60%	4.59	4.36	4.34	4.28	4.16
	Optimistic	10%	3.90	3.71	3.69	3.64	3.53
	Pessimistic	30%	5.05	4.80	4.77	4.71	4.57
Brent Crude Oil Price (USD/barrel)	Base	60%	90.08	93.41	90.00	87.50	85.55
	Optimistic	10%	99.08	102.75	99.00	96.25	94.05
	Pessimistic	30%	76.56	79.40	76.50	74.38	72.68

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Key variables/assumptions for ECL calculations (Cont'd.)

31 March 2023

Macroeconomy Variable List	Forward-Looking Scenario	Assigned Probabilities (%)	2023	2024	2025	2026	2027
Consumer Price Index (%)	Base	60%	3.00	2.70	2.55	2.50	2.53
	Optimistic	10%	3.30	2.97	2.81	2.75	2.78
	Pessimistic	30%	2.55	2.30	2.17	2.13	2.15
GDP Growth (%)	Base	60%	4.45	4.68	4.75	4.53	4.45
	Optimistic	10%	4.90	5.14	5.23	4.98	4.90
	Pessimistic	30%	3.78	3.97	4.04	3.85	3.78
House Price Index (%)	Base	60%	1.03	0.93	0.66	0.82	0.93
	Optimistic	10%	1.13	1.02	0.72	0.90	1.02
	Pessimistic	30%	0.87	0.79	0.56	0.69	0.79
USD/ MYR Exchange Rate	Base	60%	4.27	4.13	4.06	4.02	4.00
	Optimistic	10%	4.05	3.93	3.86	3.81	3.80
	Pessimistic	30%	4.48	4.34	4.26	4.22	4.20
Brent Crude Oil Price (USD/barrel)	Base	60%	84.00	76.00	68.00	61.50	60.00
	Optimistic	10%	92.40	83.60	74.80	67.65	66.00
	Pessimistic	30%	71.40	64.60	57.80	52.28	51.00

(Yearly values = average of forecasted quarterly values).

Write-off Governance

(i) Stage 1 write-off

The Bank may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. The outstanding contractual amounts of such assets written off during the current financial year was RM278.5 million (31 March 2023: RM309.1 million). The Bank still seeks legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

The Bank writes off financial assets in whole when it has exhausted all necessary recovery actions against credit exposures and there is minimal prospect of recovery and/or further recovery is not economical, then the credit exposures will be written off from both the general ledger and subsidiary ledger.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Modified Financial Assets

The Bank sometimes modifies the terms of financing provided to customers due to commercial renegotiations, or for distressed financing, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring governance and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These governances are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Bank then monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring and if so, the assets are moved from Stage 2 - Lifetime ECL not credit impaired or Stage 3 - Lifetime ECL credit impaired to Stage 1 - 12-month ECL or Stage 2 - Lifetime ECL not credit impaired as per AMMB Group’s internal SICR criteria. This is only the case for assets which have performed in accordance with the new terms for at least six consecutive months or more.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Bank’s restructuring activities and their respective effect on the Bank’s financial performance:

	2024 RM’000	2023 RM’000
Financing and advances		
Amortised cost before modification	470,147	451,596
Net modification loss	(524)	(683)

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

Financial investments at fair value through other comprehensive income

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2024			
Risk grade			
Exceptionally strong	3,806,182	-	3,806,182
Very strong	2,204,040	-	2,204,040
Strong	282,227	-	282,227
Satisfactory	225,181	146,069	371,250
Gross exposure	6,517,630	146,069	6,663,699
Less: Allowances for ECL	(5,161)	(1,490)	(6,651)
Net exposure	6,512,469	144,579	6,657,048
2023			
Risk grade			
Exceptionally strong	3,863,978	-	3,863,978
Very strong	2,283,935	-	2,283,935
Strong	75,393	-	75,393
Satisfactory	153,168	145,650	298,818
Gross exposure	6,376,474	145,650	6,522,124
Less: Allowances for ECL	(2,404)	(1,045)	(3,449)
Net exposure	6,374,070	144,605	6,518,675

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financial investments at amortised cost

	Stage 1 12-month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2024			
Risk grade			
Exceptionally strong	1,747,151	-	1,747,151
Very strong	1,126,146	-	1,126,146
Strong	829,961	-	829,961
Satisfactory	96,000	-	96,000
Impaired	-	537,405	537,405
Gross exposure	3,799,258	537,405	4,336,663
Less: Allowances for ECL	(1,919)	(475,087)	(477,006)
Net exposure	3,797,339	62,318	3,859,657
2023			
Risk grade			
Exceptionally strong	2,338,663	-	2,338,663
Very strong	450,623	-	450,623
Strong	1,217,027	-	1,217,027
Moderate	96,000	-	96,000
Impaired	-	537,405	537,405
Gross exposure	4,102,313	537,405	4,639,718
Less: Allowances for ECL	(2,169)	(457,563)	(459,732)
Net exposure	4,100,144	79,842	4,179,986

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financing and advances

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2024				
Risk grade				
Exceptionally strong	2,791,448	-	-	2,791,448
Very strong	20,562,013	29,680	-	20,591,693
Strong	6,452,589	68,732	-	6,521,321
Satisfactory	8,629,535	472,060	-	9,101,595
Moderate	2,120,733	461,812	-	2,582,545
Marginal	500,233	287,168	-	787,401
Substandard	564,280	2,030,073	-	2,594,353
Impaired	-	-	655,234	655,234
Gross exposure	41,620,831	3,349,525	655,234	45,625,590
Less: Allowances for ECL	(109,080)	(337,673)	(196,450)	(643,203)
Net exposure	41,511,751	3,011,852	458,784	44,982,387
2023				
Risk grade				
Exceptionally strong	2,808,611	-	-	2,808,611
Very strong	19,406,697	49,185	-	19,455,882
Strong	6,420,605	56,949	-	6,477,554
Satisfactory	10,253,012	476,772	-	10,729,784
Moderate	1,830,914	456,728	-	2,287,642
Marginal	402,608	510,651	-	913,259
Substandard	219,432	2,227,545	-	2,446,977
Impaired	-	-	521,155	521,155
Gross exposure	41,341,879	3,777,830	521,155	45,640,864
Less: Allowances for ECL	(74,502)	(441,391)	(163,096)	(678,989)
Net exposure	41,267,377	3,336,439	358,059	44,961,875

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Other financial assets (using simplified approach)

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2024			
Risk grade			
Exceptionally strong	160,620	-	160,620
Very strong	1,260,294	-	1,260,294
Strong	12,456	-	12,456
Satisfactory	5,650	-	5,650
Unrated	66	-	66
Impaired	-	12,775	12,775
Net exposure	1,439,086	12,775	1,451,861
2023			
Risk grade			
Exceptionally strong	129,756	-	129,756
Very strong	225,795	-	225,795
Strong	16,289	-	16,289
Satisfactory	3,745	-	3,745
Moderate	381	-	381
Unrated	1,900	-	1,900
Impaired	-	11,602	11,602
Net exposure	377,866	11,602	389,468

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financing commitments and financial guarantee contracts

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2024				
Risk grade				
Exceptionally strong	1,641,490	-	-	1,641,490
Very strong	4,848,138	26,982	-	4,875,120
Strong	2,268,115	186,489	-	2,454,604
Satisfactory	1,063,203	110,589	-	1,173,792
Moderate	321,299	70,953	-	392,252
Marginal	71,520	57,499	-	129,019
Substandard	96,416	74,016	-	170,432
Impaired	-	-	33,761	33,761
Gross exposure	10,310,181	526,528	33,761	10,870,470
Less: Allowances for ECL	(11,337)	(5,355)	(3,770)	(20,462)
Net exposure	10,298,844	521,173	29,991	10,850,008
2023				
Risk grade				
Exceptionally strong	801,800	-	-	801,800
Very strong	4,143,685	21,905	-	4,165,590
Strong	2,580,069	19,193	-	2,599,262
Satisfactory	1,121,945	104,978	-	1,226,923
Moderate	351,626	89,647	-	441,273
Marginal	51,776	59,224	-	111,000
Substandard	48,241	130,473	-	178,714
Impaired	-	-	38,681	38,681
Gross exposure	9,099,142	425,420	38,681	9,563,243
Less: Allowances for ECL	(11,580)	(7,010)	(13,710)	(32,300)
Net exposure	9,087,562	418,410	24,971	9,530,943

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Stage 1	**Cash and short term funds RM'000**	**Statutory deposit with Bank Negara Malaysia RM'000**
2024		
Risk grade		
Exceptionally strong	774,880	920,000
Very strong	315	-
Gross exposure	775,195	920,000
Less: Allowances for ECL	(16)	-
Net exposure	775,179	920,000
2023		
Risk grade		
Exceptionally strong	2,113,375	880,000
Gross exposure	2,113,375	880,000
Less: Allowances for ECL	(8)	-
Net exposure	2,113,367	880,000

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

Maximum exposure to credit risk - financial instruments not subject to impairment.

The table below shows the credit quality of financial assets measured at FVTPL:

	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2024		
Risk grade		
Exceptionally strong	3,175,923	5,032
Very strong	49,817	36,386
Strong	10,066	60
Satisfactory	-	34
Moderate	-	53
Substandard	-	352
Net carrying amount	3,235,806	41,917
2023		
Risk grade		
Exceptionally strong	2,078,635	6,964
Very strong	390,503	28,541
Strong	7,651	363
Satisfactory	100,000	493
Moderate	-	2
Net carrying amount	2,576,789	36,363

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Estimated value of collateral for financial assets

The Bank's policies regarding obtaining collateral have not significantly changed during the financial year and there has been no significant change in the overall quality of the collateral held by the Bank since the previous financial year.

The following table summarises the financial effects of collateral received from financing and advances:

	Gross exposure to credit risk		Financial effects of collateral		Unsecured portion of credit exposure	
	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross financing and advances						
Retail banking	25,348,575	24,840,903	23,245,806	23,178,085	2,102,769	1,662,818
Wholesale banking	8,556,200	9,378,090	3,404,879	3,462,092	5,151,321	5,915,998
Business banking	11,720,815	11,421,871	7,577,466	7,473,146	4,143,349	3,948,725
Total	45,625,590	45,640,864	34,228,151	34,113,323	11,397,439	11,527,541

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Collateral Repossessed

There was no collateral taken into possession during the financial year and held as at the end of the financial year.

Collateral held for credit-impaired financial assets

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure RM'000	Impairment allowances RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2024				
Credit-impaired financial assets				
Financing and advances				
Retail banking	428,393	91,985	336,408	393,751
Wholesale banking	77,814	42,898	34,916	45,209
Business banking	149,027	61,567	87,460	113,313
Total credit-impaired financial assets	655,234	196,450	458,784	552,273
2023				
Credit-impaired financial assets				
Financing and advances				
Retail banking	350,936	85,259	265,677	308,438
Wholesale banking	40,393	1,936	38,457	38,678
Business banking	129,826	75,901	53,925	77,372
Total credit-impaired financial assets	521,155	163,096	358,059	424,488

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Overlays and adjustments for expected credit losses continues, stemming from residuals from COVID-19 environment to emerging risks on the Consumer and Retail SME portfolios as well as vulnerable customers

Management overlay has been provided in anticipation of potential deterioration of credit risk for financing for:

1. Higher cost of living after subsidy rationalisation.
2. Vulnerable customers.
3. Expiry of payment holiday and repayment assistance ("PH/RA") plans offered to customers during the COVID-19 pandemic.

The overlays adjustments were generally made to specific customers and at portfolio level in determining the sufficient level of ECL.

The overlays adjustments continues into FY2025 amounting RM183.8 million as at 31 March 2024.

50. RISK MANAGEMENT (CONT'D.)

50.3 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 financing 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 risk 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	• LCR • NSFR • Depositor Concentration Ratios • Other Detailed Controls
Control/ Mitigation	• LCR Limits/Triggers • NSFR Triggers • Depositors Concentration Ratios • Other Detailed Triggers/Targets
Monitoring/ Review	• Monitor controls • Periodical review and reporting

The liquidity risk management of the Bank is aligned to the LCR policy document and NSFR policy document issued by BNM. The primary objective of the Bank'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.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

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

The Bank 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 Bank and amongst others include the BNM LCR, BNM NSFR, Depositor Concentration Ratio and other Liquidity Ratios. Investment Banking and Markets Risk ("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 Bank’s liquidity at risk. The Bank further stresses the importance of the stable funding sources to finance lending and financing to customers. They are monitored using the financing to available funds ratio, which compares financing and advances to customers as a percentage of the Bank's total available funds.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting*

2024	**Up to 1 month**	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>1 year to 5 years**	**Over 5 years**	**No maturity specified**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	775,179	-	-	-	-	-	-	775,179
Derivative financial assets	8,264	8,349	14,526	3,298	7,480	-	-	41,917
Financial assets at fair value through profit or loss	1,427,881	388,828	873,834	321,089	132,028	92,146	-	3,235,806
Financial investments at fair value through other comprehensive income	100,010	423,388	726,536	239,969	3,752,935	1,420,861	50,209	6,713,908
Financial investments at amortised cost	-	5,001	10,000	95,492	852,480	2,896,684	-	3,859,657
Financing and advances	115,958	101,140	117,087	10,862,800	4,046,682	29,738,720	-	44,982,387
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	920,000	-	920,000
Deferred tax assets	-	-	-	-	-	-	52,425	52,425
Other assets	1,256,305	19,730	82,162	28,146	43,804	129,912	-	1,560,059
Property and equipment	-	-	-	-	-	-	251	251
Right-of-use assets	-	-	-	-	-	-	1,981	1,981
Intangible assets	-	-	-	-	-	-	220	220
Total Assets	3,683,597	946,436	1,824,145	11,550,794	8,835,409	35,198,323	105,086	62,143,790
Liabilities								
Deposits from customers	27,722,246	7,944,603	7,480,781	4,729,705	356,958	-	-	48,234,293
Investment accounts of customers	13,489 **	219	351	-		-	-	14,059
Deposits and placements of banks and other financial institutions	2,006,150	541,388	138,030	16,897	128,049	84,697	-	2,915,211
Investment account due to a licensed bank	-	-	-	-	1,210,000	156,363	-	1,366,363
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	605,000	1,610,002	-	-	2,215,002
Derivative financial liabilities	8,279	8,013	15,062	3,061	6,615	-	-	41,030
Term funding	-	-	-	-	834,977	-	-	834,977
Subordinated Sukuk	-	-	-	-	-	1,300,000	-	1,300,000
Other liabilities	62,061	282,840	10,905	27,992	40,927	11,971	-	436,696
Provision for zakat	-	-	-	3,218	-	-	-	3,218
Total Liabilities	29,812,225	8,777,063	7,645,129	5,385,873	4,187,528	1,553,031	-	57,360,849
Net gap	(26,128,628)	(7,830,627)	(5,820,984)	6,164,921	4,647,881	33,645,292	105,086	4,782,941

** The balance includes current accounts without maturity as the investment accounts are available for customer redemption on-demand.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (Cont'd.)

2023	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	2,113,367	-	-	-	-	-	-	2,113,367
Derivative financial assets	4,199	8,411	2,118	3,789	17,846	-	-	36,363
Financial assets at fair value through profit or loss	267,551	298,892	1,413,405	596,941	-	-	-	2,576,789
Financial investments at fair value through other comprehensive income	-	742,783	970,597	883,955	3,188,963	735,826	-	6,522,124
Financial investments at amortised cost	-	-	-	32,377	811,013	3,336,596	-	4,179,986
Financing and advances	86,834	92,015	80,840	11,685,484	4,004,180	29,012,522	-	44,961,875
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	880,000	-	880,000
Deferred tax assets	-	-	-	-	-	-	62,072	62,072
Other assets	248,443	38,398	25,720	17,385	43,371	124,482	-	497,799
Property and equipment	-	-	-	-	-	-	324	324
Right-of-use assets	-	-	-	-	-	-	2,284	2,284
Intangible assets	-	-	-	-	-	-	298	298
Total Assets	2,720,394	1,180,499	2,492,680	13,219,931	8,065,373	34,089,426	64,978	61,833,281
Liabilities								
Deposits from customers	27,397,726	7,986,819	6,024,496	3,148,741	694,728	-	-	45,252,510
Investment accounts of customers	14,980 **	617	877	-	-	-	-	16,474
Deposits and placements of banks and other financial institutions	2,739,175	1,378,903	451,691	4,998	96,571	91,882	-	4,763,220
Investment account due to a licensed bank	-	-	-	-	500,000	1,038,521	-	1,538,521
Recourse obligation on financing sold to Cagamas Berhad	-	800,004	560,000	1,955,000	-	-	-	3,315,004
Derivative financial liabilities	4,133	8,256	1,881	3,352	19,192	-	-	36,814
Term funding	-	-	-	-	834,907	-	-	834,907
Subordinated Sukuk	-	-	-	-	-	1,300,000	-	1,300,000
Other liabilities	161,188	15,917	114,210	33,724	27,964	18,114	-	371,117
Provision for zakat	-	-	-	4,172	-	-	-	4,172
Total Liabilities	30,317,202	10,190,516	7,153,155	5,149,987	2,173,362	2,448,517	-	57,432,739
Net gap	(27,596,808)	(9,010,017)	(4,660,475)	8,069,944	5,892,011	31,640,909	64,978	4,400,542

** The balance includes current accounts without maturity as the investment accounts are available for customer redemption on-demand.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis

2024	**Up to 1 month**	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>1 year to 5 years**	**Over 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities							
Deposits from customers	28,060,918	8,041,659	7,572,171	4,787,486	361,319	-	48,823,553
Investment accounts of customers	13,494 **	221	355	-	-	-	14,070
Deposits and placements of banks and other financial institutions	2,030,658	548,002	139,716	17,103	129,613	85,732	2,950,824
Investment account due to a licensed bank	4,768	9,696	14,623	29,087	1,415,987	135,296	1,609,457
Derivative financial liabilities	5,242	7,821	17,450	4,022	7,431	-	41,966
Recourse obligation on financing sold to Cagamas Berhad	6,100	12,413	26,319	649,918	1,688,820	-	2,383,570
Term funding	-	-	51,535	816,265	-	-	867,800
Subordinated Sukuk	4,322	8,789	13,111	26,367	250,127	1,435,973	1,738,689
Other liabilities*	26,452	7,731	5,709	8,574	15,923	784	65,173
Provision for zakat	-	-	-	3,218	-	-	3,218
Total Undiscounted Liabilities	30,151,954	8,636,332	7,840,989	6,342,040	3,869,220	1,657,785	58,498,320
Commitments							
Other commitments, such as formal standby facilities and credit lines	1,170,826	465,652	639,466	1,568,990	547,257	2,868,075	7,260,266
Unutilised credit card lines	1,597,265	-	-	-	-	-	1,597,265
Forward asset purchase	213,211	-	-	-	-	-	213,211
Contingencies							
Direct credit substitutes	22,745	22,594	41,511	133,617	41,625	-	262,092
Transaction-related contingent items	153,295	364,064	140,773	449,803	545,724	188	1,653,847
Short-term self-liquidating trade-related contingencies	68,176	6,933	17,971	3,920	-	-	97,000
	3,225,518	859,243	839,721	2,156,330	1,134,606	2,868,263	11,083,681

* The balances had included the undiscounted contractual payments for lease liabilities and excluded the non-financial liabilities. Detail maturity analysis for lease commitments is disclosed in Note 25 (a).

** The balance includes current accounts without maturity as the investment accounts are available for customer redemption on-demand.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis (Cont'd.)

2023	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	27,659,162	8,063,031	6,081,983	3,178,787	701,357	-	45,684,320
Investment accounts of customers	14,986 **	623	888	-	-	-	16,497
Deposits and placements of banks and other financial institutions	2,765,313	1,392,061	456,001	5,046	97,493	92,759	4,808,673
Investment account due to a licensed bank	4,658	9,471	14,284	28,413	721,800	1,057,946	1,836,572
Derivative financial liabilities	4,125	9,242	10,106	4,135	2,695	-	30,303
Recourse obligation on financing sold to Cagamas Berhad	5,734	815,292	596,761	1,991,660	-	-	3,409,447
Term funding	-	-	16,535	16,355	867,800	-	900,690
Subordinated Sukuk	4,466	9,081	13,697	27,244	217,509	1,422,849	1,694,846
Other liabilities*	18,084	9,922	4,615	16,649	18,910	836	69,016
Provision for zakat	-	-	-	4,172	-	-	4,172
Total Undiscounted Liabilities	30,476,528	10,308,723	7,194,870	5,272,461	2,627,564	2,574,390	58,454,536
Commitments							
Other commitments, such as formal standby facilities and credit lines	379,709	338,272	420,545	1,160,187	678,942	3,099,151	6,076,806
Unutilised credit card lines	1,705,540	-	-	-	-	-	1,705,540
Contingencies							
Direct credit substitutes	232,267	21,419	99,682	235,643	133,952	205	723,168
Transaction-related contingent items	55,845	89,109	97,350	334,472	374,549	19,095	970,420
Short-term self-liquidating trade-related contingencies	56,510	25,246	94	5,459	-	-	87,309
Obligations under on-going underwriting agreements	150,000	-	-	-	-	-	150,000
	2,579,871	474,046	617,671	1,735,761	1,187,443	3,118,451	9,713,243

* The balances had included the undiscounted contractual payments for lease liabilities and excluded the non-financial liabilities. Detail maturity analysis for lease commitments is disclosed in Note 25 (a).

** The balance includes current accounts without maturity as the investment accounts are available for customer redemption on-demand.

50. RISK MANAGEMENT (CONT'D.)

50.4 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 profit rates, credit spreads, equity prices and foreign exchange rates. The Bank 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 IBMR.

Traded Market Risk

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 Limits • Historical Stress Loss ("HSL") • Present Value of One Basis Point ("PV01") • Other Detailed Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limits • PV01 Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/ Review	• Monitor controls • Periodical review and reporting

TMR arises from transactions in which the Bank 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 AMMB Board and 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.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which the Bank applies recent historical market conditions to estimate potential losses in market value, at a certain confidence level and over a specified time horizon (i.e. 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 Bank is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls 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 TMR are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

The Bank 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.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk

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.

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

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

Identification	• Identify RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• Present Value of One Basis Point ("PV01") • Earnings-at-Risk ("EaR") • ICAAP RORBB Economic Value of Equity ("EVE") • ICAAP RORBB EaR
Control/ Mitigation	• PV01 triggers • EaR triggers • ICAAP RORBB EVE / Total Capital Trigger • ICAAP RORBB EaR / Total Net Profit Income ("NPI") Trigger
Monitoring/ Review	• Monitor controls • Periodical review and reporting

RORBB arises from changes in market profit rates that impact core net 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 profit margins and implied volatilities on profit rate options. The provision of retail and wholesale banking products and services (primarily financing and deposit-taking activities) creates profit rate sensitive positions in the Bank's statement of financial position.

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

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

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk (Cont'd.)

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

The Bank measures the 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 profit rates.

The Bank complements PV01 by stress testing 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 profit rates and spreads, changes in financing and deposit product balances due to behavioural characteristics under different profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and financing.

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

The Bank’s strategy seeks to optimise exposure to RORBB within Management-approved limits. This is achieved through the ability to reposition the profit rate exposure of the statement of financial position using various product and funding strategies, supported by profit rate hedging activities using profit rate swaps and other derivatives. These approaches are governed by the Bank’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 Profit Rate Risk Framework.

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

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk (Cont'd.)

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

Interbank Offered Rates ("IBOR") reform

Following the decision by global regulators to phase out IBORs to replace them with alternative reference rates (or risk-free rates (“RFRs”)) as part of the IBOR reform, AMMB Group has established an IBOR Project Steering Committee ("PSC") to oversee and manage the transition for any of its legacy contracts that could be affected by the transition. The project is chaired by the Group CFO with the Deputy Managing Director of Wholesale Banking/Head of Group Treasury Markets as his alternate Chairperson. The programme is executed by a project working group comprising 6 workstreams to comprehensively manage and coordinate the specific LIBOR transition activities, including the identification of all products and contracts in scope of benchmark reform, communication with customers for repricing and/or re-papering of LIBOR referenced contracts and incorporation of the relevant fallback provisions in the contracts, upgrading of internal systems to support the alternative RFR product suite, as well as ensuring operational readiness (including Shariah compliance). These workstreams actively participate in industry-wide working group discussions, attend seminars/conferences/ briefings to ensure the project working group members are kept informed of the latest developments and adopt consistent approaches of other market participants. Group Management Committee, Risk Management Committee and the Board of Directors of the Bank are regularly briefed on the progress of this programme.

The Bank has successfully completed the enhancement of the impacted systems and have in place detailed plans, processes and procedures to support the LIBOR transition to RFRs which ceased by 31 December 2021. During the financial year, the Bank has completed the process for remaining IBORs transitions to RFRs for those benchmarks rates such as USD.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk (Cont'd.)

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

Interbank Offered Rates ("IBOR") reform (Cont'd.)

IBORs benchmark reform exposes the Bank to various risks, which the project continues to manage and monitor closely. The project team has assessed these risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties on the amendments of legal documentations to have adequate fallback provisions into existing legacy contracts necessary to effect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Bank’s IT systems and processes, also the risk of payments being disrupted if a LIBOR ceases to be available;
- Accounting risk if the Bank’s hedging relationships fail and form unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Awareness and preparation risk by staff due to complex compounding approaches and payment conventions.

The following table is exposure that have yet to transition from IBOR to RFRs:

	Non-derivatives financial assets carrying value	
	2024	**2023**
	RM’000	**RM’000**
USD London Interbank Offered Rate ("LIBOR")	-	121,264

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity

(i) Rate of Return Risk

Rate of return risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rate and is managed through gap and sensitivity analysis. Profit rate movements also affect the Bank's income and expense from assets and liabilities as well as capital fund. The Bank has adopted profit rate risk hedging measures to cushion the profit rate volatility.

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

Traded Market Risk:

	2024		2023	
	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(17,613)	18,445	(9,835)	9,884

Non-Traded Market Risk:

	2024		2023	
	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	289,347	(289,333)	287,027	(286,696)
Impact on equity	(183,207)	195,413	(127,375)	134,706

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Bank’s financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Bank from being exposed to excessive foreign exchange risk.

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

	2024		2023	
Currency	Exchange rate + 10 % RM'000	Exchange rate - 10 % RM'000	Exchange rate + 10 % RM'000	Exchange rate - 10 % RM'000
USD	(5,669)	5,669	(5,683)	5,683
SGD	209	(209)	33	(33)
EUR	(3,192)	3,192	(1,657)	1,657
JPY	16	(16)	40	(40)
AUD	(1,725)	1,725	(1,019)	1,019
GBP	(1,702)	1,702	(2,499)	2,499
Others	(11)	11	-	-

There is no impact to equity for financial year ended 31 March 2024 and 31 March 2023 in respect of foreign exchange risk.

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via loss limits and VaR limits.

The following table demonstrates the sensitivity of the Bank's equity to a reasonable possible change in equity prices with all other variables remaining constant:

	2024		2023	
	Prices + 10 % RM'000	Prices - 10 % RM'000	Prices + 10 % RM'000	Prices - 10 % RM'000
Impact on equity	1,274	(1,274)	-	-

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT

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

Identification	• Identify and analyse risk in key processes/activities within Business and Functional Lines (including new products) • Review of past operational losses and incidences data • Regulators' and Auditors' review and feedback
Assessment/ Measurement	• Risk and Control Self Assessment • The inherent and residual risks are assessed based on the probability and impact of activity undertaken
Control/ Mitigation	Several Operational Risk Management tools are used to mitigate the risk identified: • Incident Management and Data Collection ("IMDC") • Key Risk Indicators ("KRI") • Key Control Testing ("KCT") • Root cause analysis • Scenario Analysis • Insurance Programme
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and operational risk framework adherence • Challenging the periodical review or updating of the RCSA (risk profile)/KRIs/KCTs of all Line of Business and Entity • Trigger by adverse change in circumstances (trigger event review) • Change management process review

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 compliance risk. (Please refer to Note 50.9 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Operational Risk Appetite ("ORA") is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Bank 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 Bank'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 IMDC, KRI and KCT:

- 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 Bank 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 for accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective actions are taken to manage them. Enhanced FLOD 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, ORM training and reporting of operational risk triggers, breaches, Key Control Testing ("KCT") exceptions, operational loss incidents to GMRC, RMC and the Board.

- Group Internal Audit Department ("GIAD") acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (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 Bank. The ORM process contains the following ORM tools:

- The 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 future operational risks and estimate the amount of economic capital charge.

- The 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 AMMB Group.

- The 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.

- Root cause analysis is conducted by the Operational Risk Relationship Managers within Group Operational Risk to prevent recurrence of operational risk incidents.

- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMCD and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

i. 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 • Climate - related Operational Risk Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") Plan
Monitoring/ Review	• BCM Plan testing and exercise • Review of BCM Plan • BC site readiness and maintenance

The BCM function is an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten AMMB 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 AMMB Group's stakeholders by protecting our brand and reputation.

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

AMMB 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.

AMMB Group integrates climate-related operational risk into its BCM programs and activities to ensure the continuity of its Critical Business Functions ("CBF") and Third Party Service Providers ("TPSP") in the face of climate related events. The integration shall include an objective risk assessment from credible external parties that evaluates the climate-related risk. vulnerabilities of CBFs and TPSPs.

50. RISK MANAGEMENT (CONT'D.)

50.6 CYBER RISK MANAGEMENT

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

AMMB Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defense mechanisms and uplift governance processes alongside AMMB 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 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. The Group's technology risk management capabilities include oversight over infrastructure security risk, data leakage risk, application security risk and third party security risk.

Group Technology Risk works closely with all Business and Functional Lines to identify cyber risks inherent in the respective business activities, impact assessment and ensuring remedial actions are in place to mitigate risks accordingly. Various tools and methods are employed (similar to Operation Risk tools) to support the execution of these assessments. Progressive tracking and advisory are performed in parallel to execute an effective security program to combine maturity-based and risk-based programs towards proactive cyber security risk.

50.7 LEGAL RISK

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

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

50. RISK MANAGEMENT (CONT'D.)

50.8 REGULATORY COMPLIANCE RISK

AMMB Group has in place a compliance framework to promote the safety and soundness of AMMB 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 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 AMMB Group's processes and increasing awareness on the role of every employee to be compliant and safeguard AMMB 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.

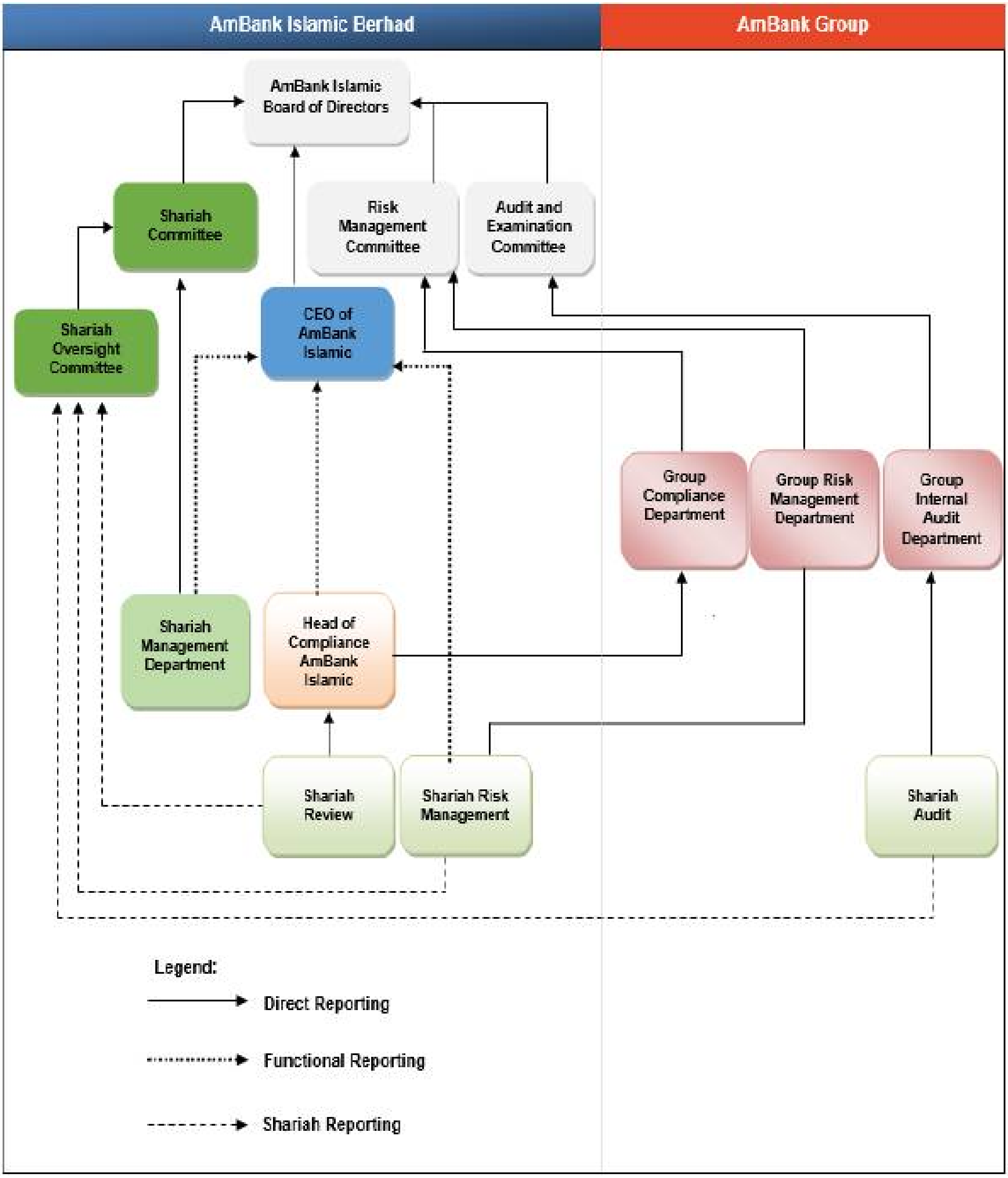
The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. AMMB Group 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. AMMB Group has zero tolerance for any form of bribery or corruption.

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

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK

Shariah Governance Structure



50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

Shariah Governance Structure (Cont'd.)

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 ("SGPD"). This is to ensure that the operations and business activities of the Bank comply with Shariah principles and requirements.

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

Board of Directors

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

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

The 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 ("SC")

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

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

Shariah Committee ("SC") (Cont'd.)

The composition of the SC within the financial year 2024 has fallen below the minimum five (5) members as required by the SGPD, due to the resignation of one (1) SC member after being appointed as a Senator of Dewan Negara and Deputy Minister at the Prime Minister's Department (Religious Affairs) on 12 December 2023. However, BNM has provided the exemption for the SC to continue to function with four (4) members until 30 April 2024. Effective 1 May 2024, a new SC member has been appointed, bringing the composition of the SC back to five (5) members as per the requirement.

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 of the Bank and to take the necessary measures for implementation. The Senior Management is also responsible in establishing the infrastructure and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Management Department

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

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

Shariah Risk Management

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

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

Shariah Review

The Shariah Review Section is accountable to the Head of Compliance, AmBank Islamic with functional reporting to the CEO of the Bank, 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.

The Shariah Review Section also acts as the Shariah Non-Compliance Officer ("SNCO") of the Bank. The SNCO is responsible to assess and decide whether the reported Shariah related incidents shall be classified as Potential SNC, and also in preparing the SNC report for deliberation by the SOC in determining whether the Shariah related incident is an SNC or otherwise.

Shariah Audit

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

Shariah Non-Compliant Income

As at 31 March 2024, one (1) SNC incident has been declared, involving non-performance of Murabahah Tawarruq trading for AmMoneyLine Facility-i for four (4) accounts due to wrong selection of product code in the system. The SNC income from this incident of RM32,505 is to be purified by channeling to charity. The system has been enhanced to mitigate the recurrence. For the financial year ended 31 March 2023, no SNC incidents were declared.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as deferred taxation are excluded, as they do not fall within the scope of MFRS 7 *Financial Instruments: Disclosures* , which requires the fair value information to be disclosed.

a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values).

	2024		2023	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Financial investments at amortised cost	3,859,657	4,454,859	4,179,986	4,734,234
Financing and advances *	5,365,770	4,653,902	4,847,773	4,218,986
	9,225,427	9,108,761	9,027,759	8,953,220
Financial liabilities				
Recourse obligation on financing sold to Cagamas Berhad	2,215,002	2,291,605	3,315,004	3,346,455
Term funding	834,977	838,920	834,907	830,583
Subordinated Sukuk	1,300,000	1,310,755	1,300,000	1,282,378
	4,349,979	4,441,280	5,449,911	5,459,416

Note

* excluding financing and advances of RM39,616,617,000 (2023: RM40,114,102,000) where the carrying amounts are reasonable approximation of their fair values.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

b) The following table provides the fair value measurement hierarchy of the Bank’s assets and liabilities:

	Valuation techniques			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2024				
Financial assets measured at fair value				
Derivative financial assets	-	41,917	-	41,917
Financial assets at fair value through profit or loss				
- Money market securities	-	3,175,923	-	3,175,923
- Unquoted sukuk	-	59,883	-	59,883
Financial investments at fair value through other comprehensive income				
- Money market securities	-	2,808,361	-	2,808,361
- Quoted shares	12,740	-	-	12,740
- Unquoted sukuk	-	3,855,338	-	3,855,338
- Unquoted shares	-	37,469	-	37,469
Assets for which fair values are disclosed				
Financial investments at amortised cost	-	4,454,859	-	4,454,859
Financing and advances	-	4,653,902	-	4,653,902
	12,740	19,087,652	-	19,100,392
Financial liabilities measured at fair value				
Derivative financial liabilities	-	41,030	-	41,030
Financial liabilities for which values are disclosed				
Recourse obligation of financing sold to Cagamas Berhad	-	2,291,605	-	2,291,605
Term funding	-	838,920	-	838,920
Subordinated Sukuk	-	1,310,755	-	1,310,755
	-	4,482,310	-	4,482,310

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

b) The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities (Cont'd.):

	Valuation techniques			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial assets measured at fair value				
Derivative financial assets	-	36,363	-	36,363
Financial assets at fair value through profit or loss				
- Money market securities	-	2,078,635	-	2,078,635
- Unquoted sukuk	-	498,154	-	498,154
Financial investments at fair value through other comprehensive income				
- Money market securities	-	2,960,007	-	2,960,007
- Unquoted sukuk	-	3,562,117	-	3,562,117
Assets for which fair values are disclosed				
Financial investments at amortised cost	-	4,734,234	-	4,734,234
Financing and advances	-	4,218,986	-	4,218,986
	-	18,088,496	-	18,088,496
Financial liabilities measured at fair value				
Derivative financial liabilities	-	36,814	-	36,814
Financial liabilities for which fair values are disclosed				
Recourse obligation of financing sold to Cagamas Berhad	-	3,346,455	-	3,346,455
Term funding	-	830,583	-	830,583
Subordinated Sukuk	-	1,282,378	-	1,282,378
	-	5,496,230	-	5,496,230

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets and financial liabilities for which fair value approximates carrying amounts

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Financing and advances

The fair value of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate financing and advances, the fair values are estimated based on expected future cash flows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk. For impaired financing and advances, the fair values are deemed to approximate the carrying amounts (net of impairment losses).

(d) Term funding and debt capital

The Bank uses observable mid prices to estimate the fair values and where mid prices are not available, the fair values are estimated by discounting the expected future cash flows using market indicative rates of instruments with similar risk profile.

(e) Recourse obligation on financing sold to Cagamas Berhad

The fair value for recourse obligation on financing sold to Cagamas Berhad is determined based on the discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and/or
Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank’s own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unquoted debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Bank. Therefore, unobservable inputs reflect the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Bank's own data, as well as financial information of the counterparties.

52. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements excluding financial assets not subject to offset and that are only subject to collateral arrangements (e.g. financing and advances) are as follows:

	Gross amount of recognised financial assets/liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/pledged RM'000	
2024						
Derivative financial assets (Note 7)	41,917	-	41,917	(8,320)	-	33,597
Derivative financial liabilities (Note 7)	41,030	-	41,030	(8,320)	-	32,710
2023						
Derivative financial assets (Note 7)	36,363	-	36,363	(20,735)	-	15,628
Derivative financial liabilities (Note 7)	36,814	-	36,814	(20,735)	-	16,079

53. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Bank's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to a segment and to assess its performance.

The Bank comprises the following main business segments:

(a) Retail Banking

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal financing, credit cards, small business financing, priority banking services, wealth management, remittance services and deposits.

(b) Business Banking

Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management, and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Financing, and Project Financing.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets:

(i) Corporate Banking

Corporate Banking offers a full range of products and services of corporate lending, trade finance, and cash management solutions to wholesale banking clients.

(ii) Group Treasury and Markets

Group Treasury and Markets includes proprietary trading as well as providing full range of Shariah-compliant products and services relating to treasury activities, including foreign exchange, derivatives and fixed income. It also offers Shariah-compliant customised investment solutions for customers.

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

(d) Investment Banking

Investment Banking offers Islamic advisory services and a wide range of Shariah-compliant financial and investment solutions that include sukuk origination, Islamic equity or equity related capital markets offerings, Islamic structured finance and Islamic syndicated financing.

(e) Group Funding and Others

Group Funding and Others comprises activities to maintain the liquidity of the Bank as well as support operations of its main business units and non-core operations of the Bank.

Measurement of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised costs, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on aggregation.

Operating Revenue

Operating revenue of the Bank comprises all type of revenue derived from the business segments.

Major Customers

No revenue from one single customer amounted to greater than 10% of the Bank’s revenue for the current and previous financial years.

Notes:

(i) The revenue generated by the majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

(ii) The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.

(iii) The comparative have been restated with current business realignment.

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2024

	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
External net income	828,660	497,054	397,990	(254,094)	1,142	(286,175)	1,184,577
Intersegments net income	(254,055)	(195,210)	(227,227)	383,036	4	293,452	-
Net income	574,605	301,844	170,763	128,942	1,146	7,277	1,184,577
Net finance income	532,088	257,545	153,740	95,969	78	6,854	1,046,274
Other income	42,517	44,299	17,023	32,973	1,068	423	138,303
Net income	574,605	301,844	170,763	128,942	1,146	7,277	1,184,577
Other operating expenses of which:	(310,891)	(77,996)	(56,567)	(15,803)	-	(12,107)	(473,364)
Depreciation of property and equipment	(1)	-	-	-	-	(174)	(175)
Depreciation of right-of-use assets	-	-	-	-	-	(303)	(303)
Amortisation of intangible assets	(5)	(3)	-	-	-	(81)	(89)
Profit before impairment losses and provision	263,714	223,848	114,196	113,139	1,146	(4,830)	711,213
(Allowances for)/Writeback of impairment on financing and advances	(197,188)	(50,252)	48,812	-	-	-	(198,628)
Writeback of/(Allowances for) impairment on financial investments	-	446	(17,683)	(3,239)	-	-	(20,476)
Writeback of/(allowances for) impairment on other financial assets	-	-	54,360	(7)	-	-	54,353
Allowance for impairment of non-financial assets	-	-	-	-	-	(39)	(39)
Writeback of provision for commitments and contingencies	4,456	7,310	115	-	-	-	11,881
Profit/(loss) before zakat and taxation	70,982	181,352	199,800	109,893	1,146	(4,869)	558,304
Zakat and taxation	(17,036)	(43,524)	(47,952)	(16,900)	(275)	(2,045)	(127,732)
Profit/(loss) for the financial year	53,946	137,828	151,848	92,993	871	(6,914)	430,572

Other information

	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
Total segment assets	25,060,318	12,234,327	9,044,151	14,425,366	10,078	1,369,550	62,143,790
Total segment liabilities	18,199,896	7,931,458	6,396,046	19,012,018	1,889	5,819,542	57,360,849
Cost to income ratio	54.1%	25.8%	33.1%	12.3%	0.0%	>100%	40.0%
Gross financing and advances	25,348,575	11,720,815	8,556,200	-	-	-	45,625,590
Net financing and advances	24,952,938	11,599,786	8,429,663	-	-	-	44,982,387
Impaired financing and advances	428,393	149,027	77,814	-	-	-	655,234
Deposits	18,045,087	7,856,039	6,368,813	18,795,532	-	84,033	51,149,504
Additions to:							
Property and equipment	-	-	-	-	-	102	102
Intangible assets	12	-	-	-	-	38	50

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2023 (Restated)

			Wholesale banking				
	Retail banking RM'000	Business banking RM'000	Corporate banking RM'000	Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
External net income	861,077	436,667	330,719	(219,583)	1,308	(203,031)	1,207,157
Intersegments net income	(298,152)	(177,796)	(172,788)	355,388	(7)	293,355	-
Net income	562,925	258,871	157,931	135,805	1,301	90,324	1,207,157
Net finance income	525,488	221,673	137,961	132,653	56	89,386	1,107,217
Other income	37,437	37,198	19,970	3,152	1,245	938	99,940
Net Income	562,925	258,871	157,931	135,805	1,301	90,324	1,207,157
Other operating expenses of which:	(300,885)	(71,728)	(52,889)	(15,468)	-	105,770	(335,200)
Depreciation of property and equipment	(1)	-	-	-	-	(115)	(116)
Depreciation of right-of-use assets	-	-	-	-	-	(412)	(412)
Amortisation of intangible assets	(4)	(4)	-	-	-	(337)	(345)
Profit before impairment losses and provision	262,040	187,143	105,042	120,337	1,301	196,094	871,957
(Allowances for)/Writeback of impairment on financing and advances	(121,979)	(17,266)	(24,513)	-	-	-	(163,758)
(Allowances for)/Writeback of impairment on financial investments	-	(337)	(13,764)	5,293	-	-	(8,808)
Writeback of impairment on other financial assets	-	-	-	143	-	-	143
(Provision)/Writeback of provision for commitments and contingencies	(5,259)	(8,494)	6,279	-	-	-	(7,474)
Profit before zakat and taxation	134,802	161,046	73,044	125,773	1,301	196,094	692,060
Zakat and taxation	(32,352)	(38,651)	(17,531)	(20,735)	(312)	(50,548)	(160,129)
Profit for the financial year	102,450	122,395	55,513	105,038	989	145,546	531,931
Other information							
Total segment assets	24,609,170	12,036,764	9,344,508	15,485,206	-	357,633	61,833,281
Total segment liabilities	17,389,663	6,695,202	5,004,981	21,221,700	1,361	7,119,832	57,432,739
Cost to income ratio	53.5%	27.7%	33.5%	11.4%	0.0%	>-100%	27.8%
Gross financing and advances	24,840,903	11,421,871	9,378,090	-	-	-	45,640,864
Net financing and advances	24,507,456	11,297,567	9,156,852	-	-	-	44,961,875
Impaired financing and advances	350,936	129,826	40,393	-	-	-	521,155
Deposits	17,251,669	6,635,458	4,976,427	21,044,316	-	107,860	50,015,730
Additions to:							
Property and equipment	-	-	-	-	-	72	72
Intangible assets	-	-	-	-	-	148	148

Note:
1. Operating revenue of the Bank comprises of financing income and hibah and other operating income.