

AMMB Holdings Berhad

Pillar 3 Disclosure

30 SEPTEMBER 2024

RWCAF- Pillar 3 Disclosure
(Applicable to the regulated banking subsidiaries of the Group)
For 30 September 2024

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1.0 Scope of Application

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

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

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

Capital Adequacy

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

The capital adequacy ratios are computed in accordance with BNM's policy documents on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 14 June 2024 and Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 18 December 2023. Pursuant to BNM's policy documents on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), financial institution is required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

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

On 29 July 2024, the Group and its banking subsidiaries, AmBank and AmBank Islamic have received approval from BNM to migrate to Foundation Internal Ratings Based ("FIRB") Approach for credit risk under Basel II Risk Weighted Capital Adequacy Framework. With effect from 1 August 2024, the following components of the capital adequacy ratios are computed in accordance with Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework from Islamic Banks (Risk Weighted Assets) based on the following approach:

- Credit Risk:
 - FIRB Approach and Supervisory Slotting Criteria for major non-retail portfolio
 - Advanced Internal Ratings Based ("AIRB") Approach for major retail portfolio
- Market Risk - remains under Standardised Approach
- Operational Risk - remains under Basic Indicator Approach

Given that the credit risk exposure of AmInvestment Bank Berhad is relatively less material, the credit risk component of capital adequacy ratios of AmInvestment Bank remains to be computed using Standardised Approach, and the Market Risk and Operation Risk remain to be computed based on Standardised Approach and Basic Indicator Approach respectively under Capital Adequacy Framework (Basel II - Risk Weighted Assets).

1.0 Scope of Application (Cont'd.)

Frequency of Disclosure

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

Medium and Location of Disclosure

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

1.1 Basis of Consolidation

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

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

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

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

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

2.0 Capital Management

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

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

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

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

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

The Group 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 Group's capital and liquidity positions.

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

Table 2.1: Capital Adequacy Ratios

- (a) As at 31 March 2024, the Capital Adequacy Ratios were computed based on BNM's policy documents on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 15 December 2023, where the Group and the banking subsidiaries had applied transitional arrangements on provision for Expected Credit Loss ("ECL"). Under the transitional arrangements, the Group and the banking subsidiaries are allowed to add back a portion of loss allowance for non-credit-impaired exposure (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from financial year 2021 to financial year 2024.

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

	31 MARCH 2024			Group ³
	AmBank	AmBank Islamic	AmInvestment Bank*	
Before deducting proposed dividends:				
CET1 Capital Ratio	13.437%	13.103%	27.952%	13.745%
Tier 1 Capital Ratio	13.437%	13.103%	27.952%	13.746%
Total Capital Ratio	18.057%	17.774%	28.846%	16.929%
After deducting proposed dividends:				
CET1 Capital Ratio	12.927%	13.047%	27.952%	13.304%
Tier 1 Capital Ratio	12.927%	13.047%	27.952%	13.304%
Total Capital Ratio	17.547%	17.719%	28.846%	16.487%

- (b) Effective 1 April 2024, the transitional arrangements have ended.

The capital adequacy ratios without transitional arrangements of the Group and the banking subsidiaries are as follows:

	30 SEPTEMBER 2024 ¹			Group ³
	AmBank	AmBank Islamic	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital Ratio	14.845%	15.597%	43.220%	15.597%
Tier 1 Capital Ratio	14.845%	15.597%	43.220%	15.597%
Total Capital Ratio	19.148%	20.279%	44.089%	18.324%
After deducting proposed dividends:				
CET1 Capital Ratio	14.606%	15.216%	40.448%	15.289%
Tier 1 Capital Ratio	14.606%	15.216%	40.448%	15.289%
Total Capital Ratio	18.909%	19.898%	41.317%	18.016%
	31 MARCH 2024			Group ^{2,3}
	AmBank ²	AmBank Islamic ²	AmInvestment Bank*	
Before deducting proposed dividends:				
CET1 Capital Ratio	13.185%	12.808%	27.951%	13.481%
Tier 1 Capital Ratio	13.185%	12.808%	27.951%	13.482%
Total Capital Ratio	17.856%	17.530%	28.846%	16.745%
After deducting proposed dividends:				
CET1 Capital Ratio	12.675%	12.753%	27.951%	13.040%
Tier 1 Capital Ratio	12.675%	12.753%	27.951%	13.040%
Total Capital Ratio	17.346%	17.475%	28.846%	16.303%

* No final dividend proposed for the financial year ended 31 March 2024.

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

Notes:

1. The capital adequacy ratios of the Group, AmBank and AmBank Islamic as at 30 September 2024 are computed based on FIRB Approach and Supervisory Slotting Criteria for major non-retail portfolio and AIRB Approach for major retail portfolio for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk; the capital adequacy ratios of AmInvestment Bank remains computed based on Standardised Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk.
2. Upon the first time adoption of different approach being used to compute the capital adequacy ratios (as mentioned above), the Group, AmBank and AmBank Islamic are exempted to disclose the comparative capital adequacy ratio as at 31 March 2024 using the same basis as at 30 September 2024. This is in accordance with paragraph 7.2(i) of the Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3).
3. The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to Section 112(3) of the FSA or Section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019. For regulatory capital reporting purposes, the consolidated level comprises the consolidation of all its financial and non-financial subsidiaries, excluding investments in ordinary shares of unconsolidated financial and insurance entities as per BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). Under the guidelines, investments in ordinary shares of unconsolidated financial and insurance entities shall be deducted in the calculation of CET1 Capital Ratio.

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

3.0 Capital Structure

Table 3.4 summarises the capital position and capital structure of the Group and its banking subsidiaries. The capital structure is made up of:

- CET1 Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Capital

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

(b) Retained Earnings

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

(c) Fair Value Reserve

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

(d) Foreign Currency Translation Reserve

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

(e) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 10.5 of the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent. The amount of the regulatory reserve is deducted from the calculation of CET1 Capital.

(f) Cash Flow Hedging Reserve/(Deficit)

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

(g) Other disclosed reserves comprise:

(i) Executive Share Scheme reserve

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

(ii) Treasury shares

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

During the current financial period, the Company bought back 1,922,000 (31.3.2024: 5,806,950) ordinary shares of the Company for a total consideration of RM8.9 million (31.3.2024: RM22.7 million) (including transaction costs) from the open market at an average price of RM4.63 per share (31.3.2024: RM3.91 per share).

3.2 Additional Tier 1 Capital

No Additional Tier 1 issuance was made during the financial period under review.

3.3 Tier 2 Capital

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments, surplus eligible provisions over expected losses for IRB exposures and general provision for standardised exposures, subjects to applicable regulatory cap. Any shortfall of eligible provision over expected loss will be deducted from CET1 Capital. For AmInvestment Bank's capital adequacy ratios that are computed based on Standardised Approach, the main components of Tier 2 capital are Stage 1 and Stage 2 loss allowances and regulatory reserves (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach).

Basel III Subordinated Notes

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

On 19 December 2018, AmBank revised the terms of the Tier 2 Programme to include the non-viability trigger event referenced to the financial group. The revision is and will be applicable to all existing and future capital instruments issued under the Tier 2 Programme.

The salient features of the Tier 2 Subordinated Notes issued under the RM 4.0 billion Tier 2 Programme and outstanding as at 30 September 2024 are as follows:

Issue Date	First Call Date	Tenure	Interest Rate	Nominal value outstanding (RM million)
30 March 2021	30 March 2026	10 years Non-Callable 5 years	4.18% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.30% per annum	600
12 October 2022	12 October 2027	10 years Non-Callable 5 years	5.20% per annum	745
28 March 2023	28 March 2028	10 years Non-Callable 5 years	4.58% per annum	350
27 June 2023	27 June 2028	10 years Non-Callable 5 years	4.59% per annum	500
Total				2,595

On 11 October 2023, AmBank established a new Basel III compliant Subordinated Notes programme of RM8.0 billion ("AT1/Tier 2 Programme") to enable the issuance of Additional Tier 1 and Tier 2 capital instruments from time to time. The Programme's tenure is perpetual.

The salient features of the Tier 2 Subordinated Notes issued under this AT1/Tier 2 Programme and outstanding as at 30 September 2024 are as follows:

Issue Date	First Call Date	Tenure	Interest Rate	Nominal value outstanding (RM million)
3 November 2023	3 November 2028	10 years Non-Callable 5 years	4.55% per annum	500

3.3 Tier 2 Capital (Cont'd.)

Basel III Subordinated Sukuk Murabahah

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

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

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

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 30 September 2024 are as follows:

Issue Date	First Call Date	Tenure	Profit Rate	Nominal value outstanding (RM million)
8 December 2020	8 December 2025	10 years Non-Callable 5 years	3.13% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.25% per annum	250
28 March 2023	28 March 2028	10 years Non-Callable 5 years	4.53% per annum	150
27 June 2023	27 June 2028	10 years Non-Callable 5 years	4.53% per annum	500
Total				1,300

Table 3.4: Capital Structure

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

	30 SEPTEMBER 2024			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
<u>CET1 Capital</u>				
Ordinary share capital	3,040,465	1,387,107	330,000	6,376,240
Retained earnings	8,730,448	3,608,041	259,003	12,478,842
Fair value reserve	534,691	18,633	1,880	758,927
Foreign exchange translation reserve	87,130	-	-	93,697
Treasury shares	-	-	-	(8,851)
Regulatory reserve	205,079	28,501	10,745	244,325
Cash flow hedging deficit	(348)	-	-	(348)
Other remaining disclosed reserves	-	-	-	8,373
Less: Regulatory adjustments applied on CET1 Capital				
- Goodwill	-	-	-	(303,492)
- Other intangible assets	(129,748)	(251)	(3,724)	(134,630)
- Deferred tax assets	(165,016)	(47,577)	(32,049)	(233,499)
- 55% of cumulative gains in fair value reserve	(294,080)	(10,248)	(1,034)	(417,410)
- Cash flow hedging deficit	348	-	-	348
- Regulatory reserve	(205,079)	(28,501)	(10,745)	(244,325)
- Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(1)	-	(49,809)	(1,334,000)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(4,207)	(89)	-	(4,272)
CET1 Capital	11,799,682	4,955,616	504,267	17,279,925
<u>Additional Tier 1 Capital</u>				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	-	-	-	440
Tier 1 Capital	11,799,682	4,955,616	504,267	17,280,365
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	1,300,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	-	-	-	2,417,332
Surplus of total eligible provision over total expected loss	221,715	150,436	-	463,382
General provisions*	104,100	37,328	10,141	140,995
Tier 2 Capital	3,420,815	1,487,764	10,141	3,021,709
Total Capital	15,220,497	6,443,380	514,408	20,302,074
The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:				
Credit RWA	71,796,745	28,679,172	811,304	99,790,454
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(620,253)	-	(1,213)
Total Credit RWA ¹	71,796,745	28,058,919	811,304	99,789,241
Market RWA	2,205,545	472,547	1,255	2,667,355
Operational RWA	5,485,147	2,192,258	354,185	8,335,780
Additional RWA due to Capital Floor	-	1,049,502	-	-
Total RWA	79,487,437	31,773,226	1,166,744	110,792,376

¹ Total Credit Risk RWA for the Group, AmBank and AmBank Islamic are computed based on FIRB Approach and Supervisory Slotting Criteria for major non-retail portfolio and AIRB Approach for major retail portfolio. As for AmInvestment Bank, it is based on Standardised Approach.

Table 3.4: Capital Structure (Cont'd.)

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

	31 MARCH 2024			Group RM'000
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>CET1 Capital</u>				
Ordinary share capital	3,040,465	1,387,107	330,000	6,376,240
Retained earnings	8,561,556	3,344,076	191,226	12,042,847
Fair value reserve	411,695	8,390	1,912	624,239
Foreign exchange translation reserve	124,851	-	-	131,449
Treasury shares	-	-	-	(29,079)
Regulatory reserve	188,146	43,368	13,682	245,196
Cash flow hedging deficit	(1,029)	-	-	(1,029)
Other remaining disclosed reserves	-	-	-	36,504
Less: Regulatory adjustments applied on CET1 Capital				
- Goodwill	-	-	-	(303,492)
- Other intangible assets	(123,528)	(220)	(3,068)	(127,802)
- Deferred tax assets	(198,535)	(52,449)	(40,964)	(281,745)
- 55% of cumulative gains in fair value reserve	(226,432)	(4,615)	(1,052)	(343,332)
- Cash flow hedging deficit	1,029	-	-	1,029
- Regulatory reserve	(188,146)	(43,368)	(13,682)	(245,196)
- Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(1)	-	(49,809)	(1,334,000)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,354)	(44)	-	(1,359)
- Other CET1 regulatory adjustments specified by BNM [^]	221,599	107,754	9	328,783
CET1 Capital	11,810,316	4,789,999	428,254	17,119,253
<u>Additional Tier 1 Capital</u>				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	-	-	-	434
Tier 1 Capital	11,810,316	4,789,999	428,254	17,119,687
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	1,300,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	-	-	-	2,578,486
General provisions*	965,363	407,645	13,694	1,386,039
Tier 2 Capital	4,060,363	1,707,645	13,694	3,964,525
Total Capital	15,870,679	6,497,644	441,948	21,084,212
The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:				
Credit RWA	80,811,594	35,468,914	1,164,364	114,352,333
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,371,871)	-	(1,441)
Total Credit RWA ²	80,811,594	34,097,043	1,164,364	114,350,892
Market RWA	1,708,904	345,524	15,539	2,058,484
Operational RWA	5,370,458	2,114,545	352,208	8,136,666
Total RWA	87,890,956	36,557,112	1,532,111	124,546,042

[^] Refers to adjustments on transitional arrangements as per Table 2.1(a).

* Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve subject to a maximum 1.25% of total credit RWA

² Total Credit Risk RWA was computed based on Standardised Approach.

Table 3.5 Risk-Weighted Assets and Capital Requirements

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

30 SEPTEMBER 2024							
Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
1. Credit risk							
1.1 Exposures under the Standardised Approach:							
<u>On-balance sheet exposures:</u>							
Sovereigns/Central banks	20,573,244	20,573,244	-	-	-	-	
Public Sector Entities ("PSEs")	18,057	18,057	3,611	-	3,611	289	
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	6,761,708	6,761,708	1,386,774	-	1,386,774	110,942	
Insurance companies, Securities firms and Fund managers	15,622	15,622	15,622	-	15,622	1,250	
Corporates	13,561,388	12,516,119	2,964,184	-	2,964,184	237,135	
Regulatory retail	6,943,330	3,823,943	3,279,417	-	3,279,417	262,353	
Residential mortgages	217,012	217,012	89,065	-	89,065	7,125	
Higher risk assets	40,683	40,683	61,025	-	61,025	4,882	
Other assets	2,684,421	2,684,421	1,492,123	-	1,492,123	119,370	
Securitisation exposures	90	90	1,125	-	1,125	90	
Equity exposures	817,775	817,775	817,775	-	817,775	65,422	
Defaulted exposures	58,281	57,977	54,340	-	54,340	4,347	
Total on-balance sheet exposures	51,691,611	47,526,651	10,165,061	-	10,165,061	813,205	
<u>Off-balance sheet exposures:</u>							
Over the counter ("OTC") derivatives	2,241,622	1,472,442	502,750	-	502,750	40,220	
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,973,409	3,449,133	611,770	-	611,770	48,942	
Defaulted exposures	24	24	35	-	35	3	
Total off-balance sheet exposures	11,215,055	4,921,599	1,114,555	-	1,114,555	89,165	
Total on and off-balance sheet exposures	62,906,666	52,448,250	11,279,616	-	11,279,616	902,370	

Table 3.5 Risk-Weighted Assets and Capital Requirements (Cont'd.)

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

30 SEPTEMBER 2024							
Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%
	RM'000	RM'000					
1.2 Exposures under the IRB Approach:							
On-balance sheet exposures:							
Corporates	68,786,364	68,786,364	50,936,886	-	50,936,886	4,074,951	
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	41,901,057	41,901,057	30,768,110	-	30,768,110	2,461,449	
(b) Corporate (with firm-size adjustment)	15,471,921	15,471,921	11,392,099	-	11,392,099	911,368	
(c) Qualifying Purchased Corporate Receivables	17,497	17,497	13,698	-	13,698	1,096	
(d) Specialised Lending (Slotting Approach)	11,395,889	11,395,889	8,762,979	-	8,762,979	701,038	
- Project Finance	4,468,355	4,468,355	2,874,155	-	2,874,155	229,932	
- Object Finance	471,567	471,567	307,885	-	307,885	24,631	
- Income Producing Real Estate	5,942,016	5,942,016	4,823,088	-	4,823,088	385,847	
- High Volatility Commercial Real Estate	513,951	513,951	757,851	-	757,851	60,628	
Retail Exposures	64,732,198	64,732,198	17,540,763	1,145	17,539,618	1,403,169	
(a) Residential Mortgages	39,184,633	39,184,633	9,235,481	1,145	9,234,336	738,747	
(b) Qualifying Revolving Retail Exposures	2,002,340	2,002,340	1,487,738	-	1,487,738	119,019	
(c) Hire Purchase Exposures	12,194,067	12,194,067	3,991,718	-	3,991,718	319,337	
(d) Other Retail Exposures	11,351,158	11,351,158	2,825,826	-	2,825,826	226,066	
Defaulted exposures	3,073,271	3,073,271	1,333,682	-	1,333,682	106,695	
Total on-balance sheet exposures	136,591,833	136,591,833	69,811,331	1,145	69,810,186	5,584,815	
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives	447,010	447,010	293,981	-	293,981	23,519	
Off-balance sheet exposures other than OTC derivatives or credit derivatives	25,219,741	25,219,741	13,192,505	-	13,192,505	1,055,400	
Defaulted exposures	115,151	115,151	202,974	-	202,974	16,238	
Total off-balance sheet exposures	25,781,902	25,781,902	13,689,460	-	13,689,460	1,095,157	
Total on and off-balance sheet exposures	162,373,735	162,373,735	83,500,791	1,145	83,499,646	6,679,972	
Total IRB Approach after Scaling Factor of 1.06			88,510,838	1,213	88,509,625	7,080,770	
Total Standardised and IRB Approaches	225,280,401	214,821,985	99,790,454	1,213	99,789,241	7,983,140	
2. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	91,097,658	86,237,289		1,782,699	-	1,782,699	142,616
- Specific interest rate risk/rate of return risk	6,140,260	594,218		25,648	-	25,648	2,052
Foreign currency risk	298,450	622,429		622,429	-	622,429	49,794
Equity risk							
- General risk	65,354	36,206		29,920	-	29,920	2,394
- Specific risk	65,354	36,206		116,841	-	116,841	9,347
Option risk	743,920	492,408		89,818	-	89,818	7,185
Total	98,410,996	88,018,756		2,667,355	-	2,667,355	213,388
3. Operational risk							
				8,335,780	-	8,335,780	666,862
4. Total RWA and capital requirements							
				110,793,589	1,213	110,792,376	8,863,390

Table 3.5 Risk-Weighted Assets and Capital Requirements (Cont'd.)

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

31 MARCH 2024							
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation	Net exposures/ EAD after CRM ("CRM")	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%
		RM'000					
1. Credit risk							
1.1 Exposures under the Standardised Approach:							
On-balance sheet exposures:							
Sovereigns/Central banks		18,987,266	18,987,266	-	-	-	-
Public Sector Entities ("PSEs")		6,587	6,587	1,318	-	1,318	105
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		6,846,800	6,846,800	1,350,084	-	1,350,084	108,007
Insurance companies, Securities firms and Fund managers		816	816	815	-	815	65
Corporates		80,277,608	77,443,419	58,312,066	-	58,312,066	4,664,965
Regulatory retail		39,415,435	35,548,581	27,187,512	1,441	27,186,071	2,174,886
Residential mortgages		33,150,016	33,147,148	12,958,540	-	12,958,540	1,036,683
Higher risk assets		50,000	50,000	75,001	-	75,001	6,000
Other assets		3,276,330	3,276,330	1,718,983	-	1,718,983	137,519
Securitisation exposures		90	90	1,125	-	1,125	90
Equity exposures		731,157	731,157	731,157	-	731,157	58,493
Defaulted exposures		1,692,258	1,681,285	1,525,562	-	1,525,562	122,045
Total on-balance sheet exposures		184,434,363	177,719,479	103,862,163	1,441	103,860,722	8,308,858
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives		2,134,424	1,869,505	1,119,100	-	1,119,100	89,528
Off-balance sheet exposures other than OTC derivatives or credit derivatives		19,657,341	11,448,264	9,290,620	-	9,290,620	743,250
Defaulted exposures		61,934	54,143	80,450	-	80,450	6,436
Total off-balance sheet exposures		21,853,699	13,371,912	10,490,170	-	10,490,170	839,214
Total on and off-balance sheet exposures		206,288,062	191,091,391	114,352,333	1,441	114,350,892	9,148,072
2. Market risk							
		Long Position	Short Position				
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	93,750,524	85,260,571		1,585,995	-	1,585,995	126,880
- Specific interest rate risk/rate of return risk	8,795,330	372,098		35,807	-	35,807	2,865
Foreign currency risk	112,635	279,452		279,452	-	279,452	22,356
Equity risk							
- General risk	63,969	9,220		54,749	-	54,749	4,380
- Specific risk	63,969	9,220		45,006	-	45,006	3,600
Option risk	585,440	403,939		57,475	-	57,475	4,598
Total	103,371,867	86,334,500		2,058,484	-	2,058,484	164,679
3. Operational risk				8,136,666	-	8,136,666	650,933
4. Total RWA and capital requirements				124,547,483	1,441	124,546,042	9,963,684

4.0 General Risk Management

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

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

The Risk Appetite Framework provides portfolio limits/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.

The Group Risk Direction

The Group's FY2025 to FY2029 Strategy blueprint is to focus and reconstruct on 8 key areas, namely, (1) Path to Return on Equity ("ROE") of $\geq 10\%$, (2) Sharpening Our Segment Play, (3) Holistic Customer Value Proposition ("CVP") Leveraging A Collaboration Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future Proofing The Workforce, (7) Integrating Environmental, Social, and Governance ("ESG") Considerations and (8) The Digital Bank.

- 1 The Group aspires to have a minimum financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
- 2 The Group aims to maintain a minimum ROCE of 12% and RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
- 3 The Group aims to maintain its Capital Ratios at the Group's Internal Capital Target under normal conditions.
- 4 The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
- 5 The Group recognises the importance of funding its own business. It aims to maintain the following:
 - a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
 - b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
 - c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective July 2020).
- 6 The Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
 - a. Keep operational losses and regulatory penalties below 0.8% of profit after taxation, zakat and minority interest ("PATMI"); and
 - b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
- 7 The Group aims for at least 70% of its non-retail loan/financing portfolio (applicable for limit at least RM10 million) to constitute exposures with low ESG Risk Rating by FY2030.
- 8 The Group aims to manage its exposures to Green House Gas ("GHG") emission intensive sectors while continuing to engage and assist our customers onto sustainability pathways toward the Group's ultimate target of net zero, in line with the country aspiration by financial year 2050.

Risk Management Governance

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

The Board has also established Management Committees to assist in managing the risks and businesses of the Group. The management committees address all classes of risk within its Board delegated mandate: credit risk, legal risk, operational risk, technology risk, market risk, liquidity risk, Shariah risk, compliance risk, reputational risk, product and business risk, Information Technology ("IT") risk, climate related risk and sustainability (covering ESG) risk.

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd.)

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

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

Potential impact of Emerging Risk from Subsidy Rationalisation

Emerging risks, such as increasing living costs due to subsidy rationalisation would potentially impact the asset quality of the Group's receivables. Mitigation actions such as comprehensive assessment through thorough review of the existing portfolio to identify the potentially impacted segment and thereafter allocate reasonable provisions to cushion the potential impacts.

4.1 Internal Capital Adequacy Assessment Process

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

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

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

The following key principles underpin the ICAAP:

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

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

4.1.2 Board and Senior Management Oversight

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

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

4.1.3 Capital Management Framework

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

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

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

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

4.1.5 Capital allocation:

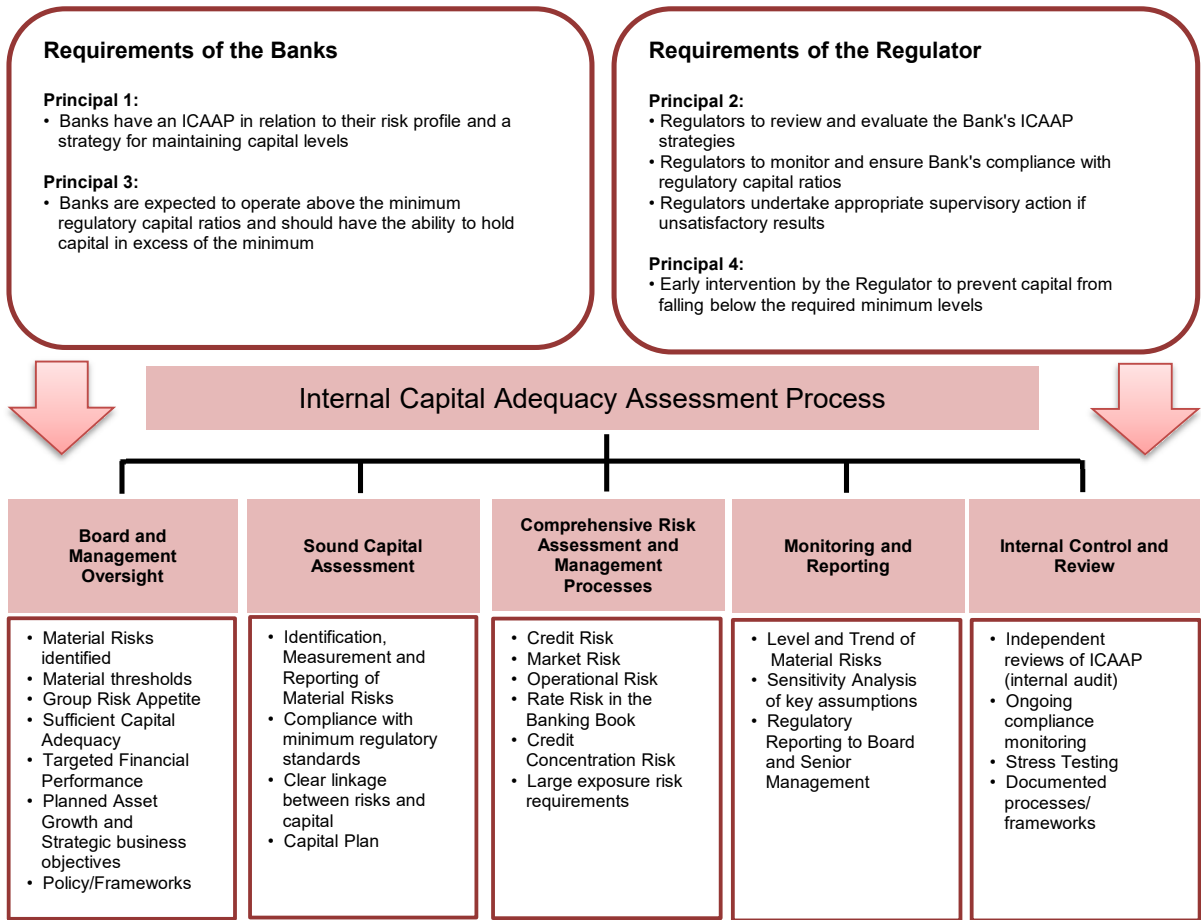
- Capital allocation shall be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

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

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

ICAAP Framework



Overview of ICAAP process and setting Internal Capital Targets



5.0 Credit Risk Management

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

Identification	<ul style="list-style-type: none"> • Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	<ul style="list-style-type: none"> • Internal credit rating system • Probability Of Default ("PD") • Loss Given Default ("LGD") • Exposure At Default ("EAD") • Expected Loss ("EL") • Gross Impaired Loan/Financing ("GIL"/"GIF")
Control/ Mitigation	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review • Annual refresh of borrowers'/customers' credit risk rating

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (please refer to section 12 for discussion on Shariah Governance Structure).

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

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

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

To support credit risk management, rating models for major portfolios have been continuously monitored and implemented to facilitate:

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

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

- Concentration threshold/review triggers:
 - single counterparty credit exposure;
 - industry sector exposure; and
 - country risk exposure;
- 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;

5.0 Credit Risk Management (Cont'd.)

Lending/financing activities are guided by internal credit policies and GRAF that are approved by the Board supplemented by credit guidelines and Management-level GRAF settings approved by the Management. The GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and internal limits designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others: (cont'd.)

- Classified Account Management requirements are in place for the non-retail model related portfolio, this sets out the identification and management (including monitoring requirements) of borrowers/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 loans/financing;
- Setting Retail and SME risk controls capping for higher risk segment to ensure credit approval practice is aligned with the credit policies and GRAF.

Exposure outside the approval discretions of individual Credit Approval Delegation ("CAD") holders are escalated to higher approving authority or Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds a stipulated customer group threshold within the Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). Portfolio credit risk is reported to the relevant management and board committees.

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

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

Table 5.0.1: Distribution of gross credit exposures by sector

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

	30 SEPTEMBER 2024														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the Standardised Approach:															
On-balance sheet exposures:															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	20,573,244	-	-	-	-	-	20,573,244
PSEs	-	-	-	-	-	-	-	17,164	893	-	-	-	-	-	18,057
Banks, DFIs and MDBs	-	-	-	-	-	-	-	6,761,708	-	-	-	-	-	-	6,761,708
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	15,622	-	-	-	-	-	-	15,622
Corporates	693,062	26,875	108,819	89	2,075,251	132,698	1,351,817	6,256,912	-	476,986	287,838	1,088,284	1,061,931	826	13,561,388
Regulatory retail	70	27	10,572	-	1,059	16,798	565	1,001	-	723	1,009	27	6,911,361	118	6,943,330
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	217,012	-	217,012
Higher risk assets	-	-	37,881	-	-	-	-	-	-	-	-	-	-	2,802	40,683
Other assets	-	1,602	-	-	-	-	-	3,675	145,000	48	103,183	-	94,225	2,336,688	2,684,421
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	12,676	-	-	-	-	-	-	-	-	-	-	805,099	817,775
Defaulted exposures	-	-	15	18	-	50	-	-	-	-	-	-	58,198	-	58,281
Total on-balance sheet exposures	693,132	28,504	169,963	107	2,076,310	149,546	1,352,382	13,056,172	20,719,137	477,757	392,030	1,088,311	8,342,727	3,145,533	51,691,611
Off-balance sheet exposures:															
OTC derivatives	-	-	62	2,644	1,300	486	-	43,317	2,143,194	2,230	3,980	-	44,409	-	2,241,622
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,827	101	23,128	57	3,869	22,804	40,517	8,175,166	-	17,682	3,007	18,240	665,011	-	8,973,409
Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-	24	-	24
Total off-balance sheet exposures	3,827	101	23,190	2,701	5,169	23,290	40,517	8,218,483	2,143,194	19,912	6,987	18,240	709,444	-	11,215,055
Total on and off-balance sheet exposures (Standardised Approach)	696,959	28,605	193,153	2,808	2,081,479	172,836	1,392,899	21,274,655	22,862,331	497,669	399,017	1,106,551	9,052,171	3,145,533	62,906,666

Table 5.0.1: Distribution of gross credit exposures by sector (Cont'd.)

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

	30 SEPTEMBER 2024														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the IRB Approach:															
On-balance sheet exposures:															
Corporates	2,546,070	1,587,347	14,712,548	3,312,170	5,954,560	11,389,933	6,908,083	5,056,244	-	11,366,765	4,367,533	1,520,318	17,377	47,416	68,786,364
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	2,258,665	536,999	9,481,168	2,367,736	2,461,565	5,816,666	5,064,935	4,385,978	-	5,288,582	3,207,619	1,003,718	13,110	14,316	41,901,057
(b) Corporate (with firm-size adjustment)	287,405	242,335	4,022,373	167,965	1,494,083	5,193,029	992,623	400,029	-	1,301,562	1,098,671	244,472	3,398	23,976	15,471,921
(c) Qualifying Purchased Corporate Receivables	-	-	-	-	-	17,497	-	-	-	-	-	-	-	-	17,497
(d) Specialised Lending (Slotting Approach)	-	808,013	1,209,007	776,469	1,998,912	362,741	850,525	270,237	-	4,776,621	61,243	272,128	869	9,124	11,395,889
- Project Finance	-	367,443	1,192,683	733,116	1,889,840	-	240,024	-	-	45,237	-	-	12	-	4,468,355
- Object Finance	-	440,570	-	26,171	-	-	-	-	-	-	-	4,755	71	-	471,567
- Income Producing Real Estate	-	-	16,324	17,182	99,632	362,741	610,501	270,237	-	4,272,369	15,804	267,373	729	9,124	5,942,016
- High Volatility Commercial Real Estate	-	-	-	-	9,440	-	-	-	-	504,252	202	-	57	-	513,951
Retail Exposures	65,218	26,131	826,284	28,845	486,538	1,658,372	317,910	50,939	-	192,556	486,498	95,980	60,478,318	18,609	64,732,198
(a) Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	39,184,633	-	39,184,633
(b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	-	-	-	2,002,340	-	2,002,340
(c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	-	-	-	12,194,067	-	12,194,067
(d) Other Retail Exposures	65,218	26,131	826,284	28,845	486,538	1,658,372	317,910	50,939	-	192,556	486,498	95,980	7,097,278	18,609	11,351,158
Defaulted exposures	9,895	774,627	265,195	2,682	240,435	378,514	53,246	3,312	-	47,664	58,355	10,825	1,225,883	2,638	3,073,271
Total on-balance sheet exposures	2,621,183	2,388,105	15,804,027	3,343,697	6,681,533	13,426,819	7,279,239	5,110,495	-	11,606,985	4,912,386	1,627,123	61,721,578	68,663	136,591,833
Off-balance sheet exposures:															
OTC derivatives	18,449	64,446	307,062	1,459	484	24,158	21,922	245	-	1,565	5,909	1,311	-	-	447,010
Off-balance sheet exposures other than OTC derivatives or credit derivatives	401,310	425,153	5,148,481	407,815	5,123,329	3,251,672	1,736,224	746,486	-	1,065,681	448,156	222,174	6,237,570	5,690	25,219,741
Defaulted exposures	-	7,945	11,780	-	66,554	-	355	-	-	2,808	-	-	25,709	-	115,151
Total off-balance sheet exposures	419,759	497,544	5,467,323	409,274	5,190,367	3,275,830	1,758,501	746,731	-	1,070,054	454,065	223,485	6,263,279	5,690	25,781,902
Total on and off-balance sheet exposures (IRB Approach)	3,040,942	2,885,649	21,271,350	3,752,971	11,871,900	16,702,649	9,037,740	5,857,226	-	12,677,039	5,366,451	1,850,608	67,984,857	74,353	162,373,735
Total Standardised and IRB Approaches	3,737,901	2,914,254	21,464,503	3,755,779	13,953,379	16,875,485	10,430,639	27,131,881	22,862,331	13,174,708	5,765,468	2,957,159	77,037,028	3,219,886	225,280,401

Table 5.0.1: Distribution of gross credit exposures by sector (cont'd.)

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

	31 MARCH 2024														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the															
Standardised Approach:															
On-balance sheet exposures:															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	18,987,266	-	-	-	-	-	18,987,266
PSEs	-	-	-	-	-	-	-	5,369	1,218	-	-	-	-	-	6,587
Banks, DFIs and MDBs	-	-	-	-	-	-	-	6,846,800	-	-	-	-	-	-	6,846,800
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	816	-	-	-	-	-	-	816
Corporates	3,541,382	2,539,203	15,522,965	3,427,069	7,917,520	12,973,768	6,148,684	11,072,497	-	10,081,572	2,999,768	2,687,266	1,305,281	60,633	80,277,608
Regulatory retail	63,759	18,426	853,174	28,097	511,599	1,697,045	319,409	32,278	-	186,258	531,010	109,844	35,046,528	18,008	39,415,435
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	33,150,016	-	33,150,016
Higher risk assets	-	-	37,469	-	-	-	-	-	-	-	-	-	9,814	2,717	50,000
Other assets	-	-	-	-	-	-	-	230,461	145,000	8	25,967	-	83,610	2,791,284	3,276,330
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	12,740	-	-	-	-	-	-	-	-	-	-	718,417	731,157
Defaulted exposures	8,907	117,409	136,772	1,173	80,479	234,472	23,499	3,492	-	33,893	36,274	32,679	981,555	1,654	1,692,258
Total on-balance sheet exposures	3,614,048	2,675,038	16,563,120	3,456,339	8,509,598	14,905,285	6,491,592	18,191,803	19,133,484	10,301,731	3,593,019	2,829,789	70,576,804	3,592,713	184,434,363
Off-balance sheet exposures:															
OTC derivatives	5,239	205,698	405,996	125	6,680	12,291	3,395	1,313,262	138,317	1,099	12,378	984	28,700	260	2,134,424
Off-balance sheet exposures other than OTC derivatives or credit derivatives	217,096	110,047	2,535,291	392,922	2,634,669	1,249,699	743,425	7,128,663	510,874	621,691	221,206	142,978	3,145,519	3,261	19,657,341
Defaulted exposures	-	630	11,687	-	31,840	362	-	-	-	2,182	28	-	15,205	-	61,934
Total off-balance sheet exposures	222,335	316,375	2,952,974	393,047	2,673,189	1,262,352	746,820	8,441,925	649,191	624,972	233,612	143,962	3,189,424	3,521	21,853,699
Total on and off-balance sheet exposures	3,836,383	2,991,413	19,516,094	3,849,386	11,182,787	16,167,637	7,238,412	26,633,728	19,782,675	10,926,703	3,826,631	2,973,751	73,766,228	3,596,234	206,288,062

Table 5.0.2: Geographical distribution of credit exposures

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

	30 SEPTEMBER 2024		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Exposures under the Standardised Approach:			
On-balance sheet exposures:			
Sovereigns/Central banks	20,573,244	-	20,573,244
PSEs	18,057	-	18,057
Banks, DFIs and MDBs	4,578,581	2,183,127	6,761,708
Insurance companies, Securities firms and Fund managers	15,622	-	15,622
Corporates	13,548,908	12,480	13,561,388
Regulatory retail	6,942,812	518	6,943,330
Residential mortgages	217,012	-	217,012
Higher risk assets	40,680	3	40,683
Other assets	2,651,966	32,455	2,684,421
Securitisation exposures	90	-	90
Equity exposures	816,820	955	817,775
Defaulted exposures	58,281	-	58,281
Total on-balance sheet exposures	49,462,073	2,229,538	51,691,611
Off-balance sheet exposures:			
OTC derivatives	1,848,446	393,176	2,241,622
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,970,620	2,789	8,973,409
Defaulted exposures	24	-	24
Total off-balance sheet exposures	10,819,090	395,965	11,215,055
Total on and off-balance sheet exposures (Standardised Approach)	60,281,163	2,625,503	62,906,666
Exposures under the IRB Approach:			
On-balance sheet exposures:			
Corporates	68,690,611	95,753	68,786,364
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	41,901,057	-	41,901,057
(b) Corporate (with firm-size adjustment)	15,471,921	-	15,471,921
(c) Qualifying Purchased Corporate Receivables	17,497	-	17,497
(d) Specialised Lending (Slotting Approach)	11,300,136	95,753	11,395,889
- Project Finance	4,468,355	-	4,468,355
- Object Finance	375,814	95,753	471,567
- Income Producing Real Estate	5,942,016	-	5,942,016
- High Volatility Commercial Real Estate	513,951	-	513,951
Retail Exposures	64,732,198	-	64,732,198
(a) Residential Mortgages	39,184,633	-	39,184,633
(b) Qualifying Revolving Retail Exposures	2,002,340	-	2,002,340
(c) Hire Purchase Exposures	12,194,067	-	12,194,067
(d) Other Retail Exposures	11,351,158	-	11,351,158
Defaulted exposures	3,073,271	-	3,073,271
Total on-balance sheet exposures	136,496,080	95,753	136,591,833
Off-balance sheet exposures:			
OTC derivatives	437,283	9,727	447,010
Off-balance sheet exposures other than OTC derivatives or credit derivatives	25,199,125	20,616	25,219,741
Defaulted exposures	115,151	-	115,151
Total off-balance sheet exposures	25,751,559	30,343	25,781,902
Total on and off-balance sheet exposures (IRB Approach)	162,247,639	126,096	162,373,735
Total Standardised and IRB Approaches	222,528,802	2,751,599	225,280,401

Table 5.0.2: Geographical distribution of credit exposures (Cont'd.)

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

	31 MARCH 2024		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Exposures under the Standardised Approach:			
On-balance sheet exposures:			
Sovereigns/Central banks	18,987,266	-	18,987,266
PSEs	6,587	-	6,587
Banks, DFIs and MDBs	3,579,591	3,267,209	6,846,800
Insurance companies, Securities firms and Fund managers	816	-	816
Corporates	80,138,515	139,093	80,277,608
Regulatory retail	39,412,140	3,295	39,415,435
Residential mortgages	33,150,016	-	33,150,016
Higher risk assets	49,996	4	50,000
Other assets	3,255,332	20,998	3,276,330
Securitisation exposures	90	-	90
Equity exposures	730,343	814	731,157
Defaulted exposures	1,692,258	-	1,692,258
Total on-balance sheet exposures	181,002,950	3,431,413	184,434,363
Off-balance sheet exposures:			
OTC derivatives	1,571,150	563,274	2,134,424
Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,631,920	25,421	19,657,341
Defaulted exposures	61,934	-	61,934
Total off-balance sheet exposures	21,265,004	588,695	21,853,699
Total on and off-balance sheet exposures	202,267,954	4,020,108	206,288,062

Table 5.0.3: Residual contractual maturity by major types of credit exposures

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

	30 SEPTEMBER 2024								
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 3 years	>3 years to 5 years	> 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under the Standardised Approach:									
On-balance sheet exposures:									
Sovereigns/Central banks	2,977,898	-	613,125	344,760	3,681,647	3,159,073	9,796,741	-	20,573,244
PSEs	17,164	-	-	65	828	-	-	-	18,057
Banks, DFIs and MDBs	3,835,183	985,594	-	101,063	1,159,662	158,005	522,201	-	6,761,708
Insurance companies, Securities firms and Fund managers	308	-	-	15	-	15,299	-	-	15,622
Corporates	3,734,694	92,775	516,626	2,050,045	2,668,801	1,284,833	3,213,614	-	13,561,388
Regulatory retail	187,886	60,531	31,106	711,752	192,007	235,835	5,524,213	-	6,943,330
Residential mortgages	-	-	-	-	141	244	216,627	-	217,012
Higher risk assets	-	-	-	-	-	-	-	40,683	40,683
Other assets	1,493,816	-	-	-	-	-	-	1,190,605	2,684,421
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	817,775	817,775
Defaulted exposures	13,458	12	1,071	8,878	2,366	2,535	29,961	-	58,281
Total on-balance sheet exposures	12,260,407	1,138,912	1,161,928	3,216,578	7,705,452	4,855,824	19,303,447	2,049,063	51,691,611
Off-balance sheet exposures:									
OTC derivatives	13,387	78,501	33,974	151,774	109,284	303,467	1,551,235	-	2,241,622
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,808,797	4,154,372	202,221	470,072	2,236	1,541	334,170	-	8,973,409
Defaulted exposures	-	-	-	24	-	-	-	-	24
Total off-balance sheet exposures	3,822,184	4,232,873	236,195	621,870	111,520	305,008	1,885,405	-	11,215,055
Total on and off-balance sheet exposures (Standardised Approach)	16,082,591	5,371,785	1,398,123	3,838,448	7,816,972	5,160,832	21,188,852	2,049,063	62,906,666

Table 5.0.3: Residual contractual maturity by major types of credit exposures (Cont'd.)

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

	30 SEPTEMBER 2024								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
Exposures under the IRB Approach:									
On-balance sheet exposures:									
Corporates	24,982,577	8,430,669	4,395,537	7,940,561	7,504,434	5,601,502	9,931,084	-	68,786,364
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	17,049,706	5,930,403	2,553,395	4,925,774	4,440,123	3,804,644	3,197,012	-	41,901,057
(b) Corporate (with firm-size adjustment)	3,149,316	2,264,509	1,207,393	1,869,403	942,758	938,043	5,100,499	-	15,471,921
(c) Qualifying Purchased Corporate Receivables	8,192	9,305	-	-	-	-	-	-	17,497
(d) Specialised Lending (Slotting Approach)	4,775,363	226,452	634,749	1,145,384	2,121,553	858,815	1,633,573	-	11,395,889
- Project Finance	1,751,813	-	321,856	248,294	1,062,389	661,345	422,658	-	4,468,355
- Object Finance	122,885	-	-	211,584	135,405	1,693	-	-	471,567
- Income Producing Real Estate	2,691,077	226,120	220,762	618,457	854,614	126,941	1,204,045	-	5,942,016
- High Volatility Commercial Real Estate	209,588	332	92,131	67,049	69,145	68,836	6,870	-	513,951
Retail Exposures	72,931	87,459	80,185	2,313,547	1,811,571	3,679,570	56,686,935	-	64,732,198
(a) Residential Mortgages	1,030	212	589	3,179	52,673	115,208	39,011,742	-	39,184,633
(b) Qualifying Revolving Retail Exposures	30,064	11,314	36,473	1,924,489	-	-	-	-	2,002,340
(c) Hire Purchase Exposures	2,597	4,432	16,238	85,155	1,153,520	2,464,030	8,468,095	-	12,194,067
(d) Other Retail Exposures	39,240	71,501	26,885	300,724	605,378	1,100,332	9,207,098	-	11,351,158
Defaulted exposures	417,242	3,253	6,883	189,744	118,622	855,115	1,482,412	-	3,073,271
Total on-balance sheet exposures	25,472,750	8,521,381	4,482,605	10,443,852	9,434,627	10,136,187	68,100,431	-	136,591,833
Off-balance sheet exposures:									
OTC derivatives	47,461	79,484	64,597	18,163	11,292	29,138	196,875	-	447,010
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,355,434	1,968,728	3,432,095	12,946,390	1,318	5,441	2,510,335	-	25,219,741
Defaulted exposures	71,106	10,988	164	32,033	7	630	223	-	115,151
Total off-balance sheet exposures	4,474,001	2,059,200	3,496,856	12,996,586	12,617	35,209	2,707,433	-	25,781,902
Total on and off-balance sheet exposures (IRB Approach)	29,946,751	10,580,581	7,979,461	23,440,438	9,447,244	10,171,396	70,807,864	-	162,373,735
Total Standardised and IRB Approaches	46,029,342	15,952,366	9,377,584	27,278,886	17,264,216	15,332,228	91,996,716	2,049,063	225,280,401

Table 5.0.3: Residual contractual maturity by major types of credit exposures (cont'd.)

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

	31 MARCH 2024								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
Exposures under the Standardised Approach:									
On-balance sheet exposures:									
Sovereigns/Central banks	2,207,900	141,825	945,881	1,174,519	3,350,229	2,201,118	8,965,794	-	18,987,266
PSEs	-	-	-	-	1,218	-	-	5,369	6,587
Banks, DFIs and MDBs	4,925,477	50,704	-	10,093	1,184,865	178,354	497,307	-	6,846,800
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	816	-	816
Corporates	27,714,689	8,231,706	6,805,471	7,164,545	10,324,443	6,364,261	13,672,493	-	80,277,608
Regulatory retail	198,806	106,888	162,265	3,226,430	1,905,118	3,769,271	30,046,657	-	39,415,435
Residential mortgages	912	230	515	2,602	48,221	115,164	32,982,372	-	33,150,016
Higher risk assets	25	38	80	40	97	423	9,111	40,186	50,000
Other assets	1,680,943	-	-	-	-	-	-	1,595,387	3,276,330
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	731,157	731,157
Defaulted exposures	200,637	1,573	2,506	84,786	85,151	194,358	1,094,856	28,391	1,692,258
Total on-balance sheet exposures	36,929,389	8,532,964	7,916,718	11,663,015	16,899,342	12,822,949	87,269,496	2,400,490	184,434,363
Off-balance sheet exposures:									
OTC derivatives	41,819	195,201	297,305	243,829	40,823	294,430	1,021,017	-	2,134,424
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,723,272	5,826,699	911,915	7,360,476	72,624	43,675	1,718,680	-	19,657,341
Defaulted exposures	22,748	179	4,392	19,331	109	204	14,971	-	61,934
Total off-balance sheet exposures	3,787,839	6,022,079	1,213,612	7,623,636	113,556	338,309	2,754,668	-	21,853,699
Total on and off-balance sheet exposures	40,717,228	14,555,043	9,130,330	19,286,651	17,012,898	13,161,258	90,024,164	2,400,490	206,288,062

5.1 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 interest/profit repayments/payments are scheduled on intervals of 3 months or longer; or
- c. Other impairment indicators stipulated in the relevant guidelines.

Impaired accounts which undergo restructuring/rescheduling will continue to be impaired for at least 6 months.

5.1.1 Group Provisioning Methodology

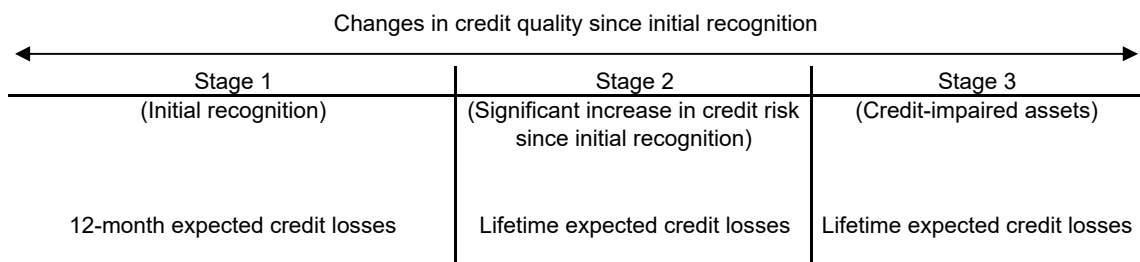
The Group's provisioning methodology complies with MFRS 9 where the Group recognises Expected Credit Loss ("ECL") at all times to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, 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 Group calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

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

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



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

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

Table 5.1.2: Impaired and past due loans, advances and financing, and impairment allowances by sector

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

30 SEPTEMBER 2024														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	9,239	48,286	202,847	17,839	223,458	360,724	44,163	2,178	45,794	43,001	11,854	1,229,912	-	2,239,295
Past due but not impaired loans/financing	9,365	10,819	112,703	19,586	163,646	676,965	98,270	5,681	186,291	72,807	15,389	7,281,145	-	8,652,667
Allowances for expected credit losses														
- Individual allowance	1,041	11,117	78,833	1,859	117,106	87,016	9,772	-	2,453	11,539	-	18,460	-	339,196
- Collective allowance	8,969	5,443	77,482	5,274	31,620	104,765	15,215	13,206	55,249	25,375	6,995	1,251,083	875	1,601,551
Charges for/(Writeback of) individual allowance	1,041	(2,373)	34,316	1,915	74,066	25,463	2,772	-	(38)	685	(2,100)	(6,527)	-	129,220
Write-offs against individual allowance and other movements	-	-	17,645	34,021	10,719	34,317	-	-	-	4,205	-	-	-	100,907

31 MARCH 2024														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	6,025	50,078	195,332	51,056	216,634	340,472	30,723	2,899	36,903	43,720	37,512	1,224,769	-	2,236,123
Past due but not impaired loans/financing	85,326	10,226	166,843	23,502	159,639	546,324	61,128	6,684	240,618	86,810	22,791	6,827,240	-	8,237,131
Allowances for expected credit losses														
- Individual allowance	-	13,490	63,058	33,965	53,759	95,870	7,000	-	2,491	15,060	2,100	24,090	-	310,883
- Collective allowance	9,201	8,074	169,507	4,956	122,622	64,814	134,354	24,547	32,741	17,963	7,695	1,119,847	961	1,717,282
(Writeback of)/Charges for individual allowance	(1,946)	14,577	33,225	1,062	9,076	102,105	9,373	(1,001)	2,507	15,034	2,857	24,066	-	210,935
Write-offs against individual allowance and other movements	-	3,481	38,354	-	41,360	79,392	3,438	-	16	10,404	1,742	-	-	178,187

Table 5.1.3: Geographical distribution of impaired and past due loans, advances and financing and impairment allowances

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

30 SEPTEMBER 2024			
	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired loans, advances and financing	2,239,295	-	2,239,295
Past due but not impaired loans/financing	8,652,667	-	8,652,667
Allowances for expected credit losses			
- Individual allowance	339,196	-	339,196
- Collective allowance	1,600,346	1,205	1,601,551

31 MARCH 2024			
	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Impaired loans, advances and financing	2,236,123	-	2,236,123
Past due but not impaired loans/financing	8,237,131	-	8,237,131
Allowances for expected credit losses			
- Individual allowance	310,883	-	310,883
- Collective allowance	1,717,183	99	1,717,282

Table 5.1.4: Reconciliation of changes to loans/financing impairment allowances

The disclosure on reconciliation of loan/financing loss allowances can be found in Note A13 of the interim financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024	
	(Charge off)/ Recoveries RM'000
Individual allowance written off during the financial period	(24,591)
Individual allowance recoveries during the financial period	157,090

FINANCIAL YEAR ENDED 31 MARCH 2024	
	(Charge off)/ Recoveries RM'000
Individual allowance written off during the financial year	(54,396)
Individual allowance recoveries during the financial year	346,873

5.2 Credit Risk Exposure under the IRB Approach

Adoption of IRB Basel II

The Group has on 29 July 2024 obtained BNM's approval to adopt FIRB Approach, i.e. to apply internal models to determine risk-weight for the majority of its credit portfolios in AmBank and AmBank Islamic. For AmInvestment Bank, given the relatively less material size of credit exposures, it remains under Standardised Approach.

For RWA computation of retail portfolios, the Group adopts the AIRB Approach using own internal estimates of PD, LGD and EAD. For non-retail portfolios, the Group adopts FIRB Approach, which uses own internal PD estimates and applies supervisory estimates of LGD and EAD.

The key measures generated by the internal models to quantify regulatory capital are:

(i) Probability of Default ("PD")

This measures the likelihood that a borrower defaults on its credit obligation over a period of one year.

(ii) Loss Given Default ("LGD")

This is a measure of the economic loss the Bank would incur in the event a borrower defaults taking into account also the time value of money when measuring recovery cash flows.

(iii) Exposure of Default ("EAD")

EAD is the expected amount that a borrower is expected to be owing at time of default. This takes into account potential additional drawdown that may be incurred by the borrower facing financial difficulties prior to default.

Various models are developed, tuned to the specific risk characteristics of each portfolio, to achieve these measurements.

In general, default risk estimates approach for Retail and Non-Retail portfolios are similar for PD, EAD and LGD models

- Nevertheless, PD model for Retail segment is further segmented by Application Scorecard ("Ascore") and Behavioural Scorecard ("Bscore"). Ascore is generally developed by using internal and external (e.g. CCRIS) information for new application decisioning. Bscore is used primarily for account management and business strategy.
- Non-retail exposures under FIRB Approach for capital computation allows the Group to use its internal PD estimates, but use supervisory LGD and EAD estimates to compute the risk weights for corporate exposures. For specialised lending exposures, the Group adopts Supervisory Slotting Criteria approach with supervisory prescribed risk weights.

Model Risk Management

To ensure a robust model risk management, the Group has established a Board-approved model risk management framework and its related guidelines on the operational structure, minimum thresholds and standards, and risk management requirements for governing the controls and processes relating to model development, model validation and on-going model monitoring.

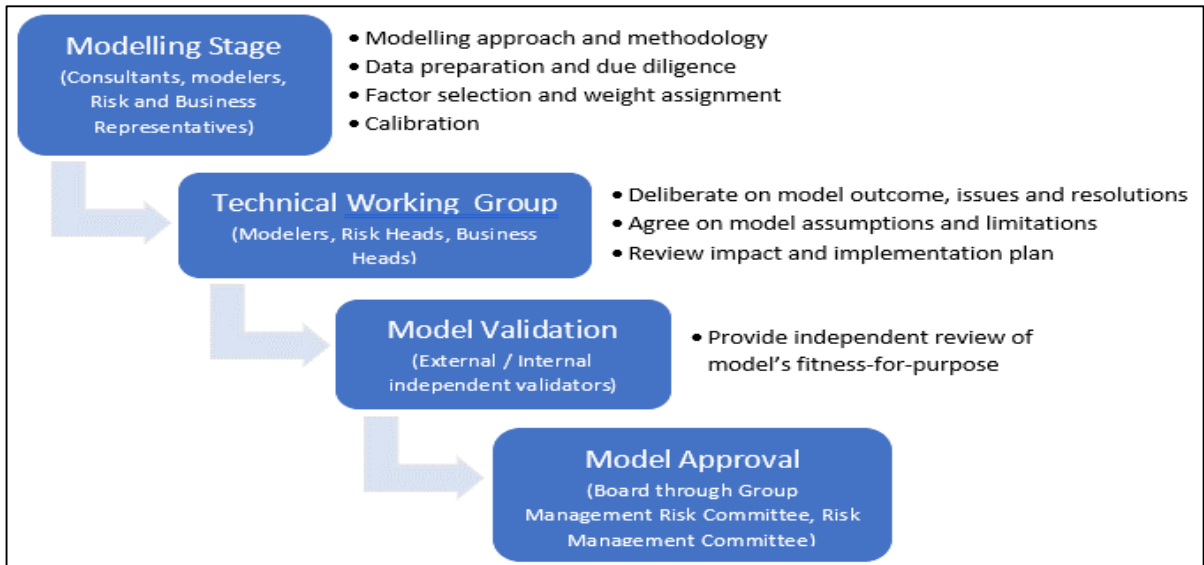
Internal models are developed, or co-developed with external consultants, by a dedicated internal modelling team functionally separate from risk origination. All new models and subsequent material changes to the models are subject to independent validation prior to implementation, and thereafter re-validated annually, by an internal validation team or external consultants who are independent from model ownership, development, monitoring and use. All models used for regulatory purposes are approved by the Board.

Internal Audit also reviews the adequacy and effectiveness of model-related governance, risk management and internal control processes, model use and provides value-added assurance to assist the Board in the discharge of its oversight responsibilities.

5.2 Credit Risk Exposure under the IRB Approach (Cont'd.)

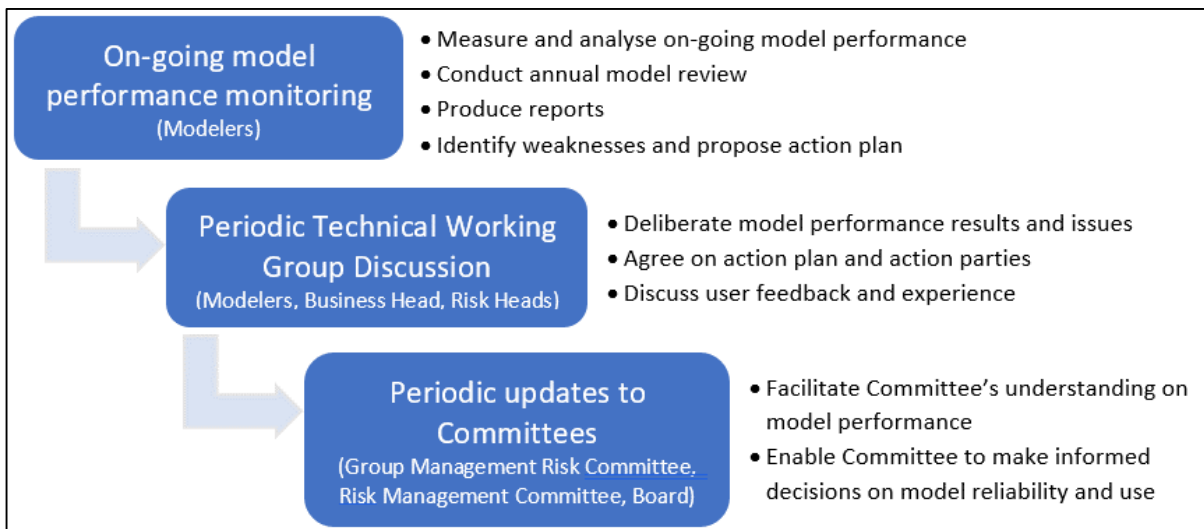
Model Risk Management (Cont'd.)

The model development, validation and governance process is depicted in the diagram below:



Subsequent to model implementation, the performance of the models is monitored regularly by the modelling team; deliberated at the Technical Working Group; and reported to Group Management Risk Committee, Risk Management Committee and the Board for oversight.

The on-going model performance reporting process is depicted in the diagram below:



All Credit Models are being monitored on a quarterly basis and presented to:

- 1 Technical Working Group which comprises representatives from both risk and business.
- 2 GMRC, RMC and Board.

The scope of monitoring covers various quantitative tests on model discrimination, calibration and stability; highlights model weaknesses and ensure prompt action is taken by responsible parties.

5.2 Credit Risk Exposure under the IRB Approach (Cont'd.)

Model Risk Management (Cont'd.)

Independent Model Validation

All models used for regulatory RWA computations are subjected to validation by an independent party not involved in model ownership, development, monitoring and use to ascertain whether the models are fit-for-purpose and meeting regulatory and/or internal policy requirements.

The scope of validation covers:

- a. **Model Validation**
 - Quantitative Tests- Discrimination, Calibration, Stability
 - Data
 - Methodology
 - Governance
 - Documentation

- b. **System Validation**
 - Input to Output Accuracy
 - System and Data Governance
 - User Acceptance Test
 - Functional Specifications

All models used for regulatory RWA computations are validated annually, and the model validation results are reported to GMRC, RMC and Board.

Use of Internal Models

The internal risk ratings are used not only for regulatory capital purposes, but also in various management of credit risk within the Group and banking subsidiaries.

The basic credit risk measurement metrics of PD, LGD and EAD are transformed into measures of expected loss ("EL"), capital consumption (RWA capital), and together with profitability to determine ROCE. These are used in the following applications within AmBank and AmBank Islamic.

1 Credit underwriting approval

All borrowers/customers are required to be rated at credit origination/annual review or rating refreshed to facilitate credit analysis and decision.

Credit approval matrix for a loan/financing application is determined based on expected loss and quantum of exposure. Retail cutoff score for credit acceptance takes EL into consideration.

2 Risk Governance

Risk grade/expected loss are used in risk appetite setting, such as setting of limits to manage credit concentration risk and setting of portfolio risk controls.

3 Capital management

ROCE is used in influencing lending growth/direction and capital allocation.

4 Policy

Internal ratings are consistently applied and used in the basis for credit risk policy/guidelines.

5 Reporting

Regular reporting relating to credit like distribution of credit/sectorial exposures, rating migration, estimation of relevant parameters per grade and relating to profitability areas.

6 Pricing

Expected loss are used/considered in loan/financing pricing. Setting minimum hurdle rate for retail portfolio and ROCE for individual wholesale borrower/customer pricing.

7 Provisions and account management

The base PD, LGD and EAD are used for expected credit loss provisioning estimates with modification to meet accounting standard.

Retail behavioural scores and PD segmentation model are used for account management and collection strategy.

5.2 Credit Risk Exposure under the IRB Approach (Cont'd.)

5.2.1 Retail Portfolio

Retail PD models

Each account is assigned to a risk pool, of similar risk characteristics or drivers. The PD estimation is developed using historical data spanning a minimum 5 years, with each pool (or PD segment) calibrated to long run average which cover at least one business cycle.

Retail Loss Given Default (LGD) models

All of the Retail LGD models are built using data spanning a minimum 5 years. For Basel II purposes, LGD is estimated to reflect downturn conditions. Similar to PD segmentation model, homogenous risk profile accounts will be segmented into same LGD pool.

Retail Exposure at Default (EAD) models

For on-balance sheet exposures (e.g. term loans/financing or mortgage loans/financing), EAD is equal to the current outstanding of the facility. For off-balance sheet exposures, (e.g. undrawn amount for revolving and non-revolving facility), EAD consist of current outstanding and the expected utilisation of committed (Cash Conversion Factor ("Cash CF") (where applicable)) and undrawn amount (Credit Conversion Factor ("CCF")) at the time of default. All EAD models are built using data spanning a minimum 5 years. For Basel II purposes, EAD is estimated to reflect downturn conditions. Similar to PD segmentation model, homogenous risk profile accounts will be segmented into same LGD pool.

Cash CF refers to how much of an off-balance sheet exposure will actually be called upon and become an on-balance sheet item.

Table 5.2.1a: Exposures under the IRB Approach by Risk Grade or PD Band

The disclosure on exposures by PD Band (IRB Approach) for Retail of the Group is as follows:

30 SEPTEMBER 2024					
PD Range %	Exposures post CRM RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000	RWA RM'000
Retail Exposures:					
Residential Mortgages					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	25,285,329	35.32	0.26	27,379	3,200,292
0.5943 - 1.0159	5,562,423	33.71	0.42	5,679	1,155,635
1.0160 - 2.2722	2,439,742	35.08	0.73	2,242	888,856
2.2723 - 4.1028	1,878,835	35.16	0.99	2,468	919,467
4.1029 - 8.2931	16,706	33.89	1.21	-	10,126
8.2932 - 99.9999	4,042,516	35.57	1.53	3,151	3,070,969
Default or 100	970,481	35.92	1.00	218	489,060
Total Residential Mortgages	40,196,032			41,137	9,734,405
Qualifying Revolving Retail Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	1,795,765	174.27	0.29	1,603,847	257,301
0.5943 - 1.0159	1,790,889	167.89	0.58	1,488,349	509,831
1.0160 - 2.2722	875,242	163.94	0.99	420,834	432,119
2.2723 - 4.1028	784,408	166.28	1.59	295,236	622,593
4.1029 - 8.2931	406,337	153.68	2.12	93,437	429,658
8.2932 - 99.9999	306,820	132.11	3.17	55,421	486,604
Default or 100	39,575	138.13	10.03	24,649	232,874
Total Qualifying Revolving Retail Exposures	5,999,036			3,981,773	2,970,980
Hire Purchase Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	8,184,606	71.88	0.45	-	1,844,522
0.5943 - 1.0159	95,843	71.43	0.66	-	31,746
1.0160 - 2.2722	1,812,433	73.82	0.83	-	753,228
2.2723 - 4.1028	699,898	73.89	1.05	-	371,046
4.1029 - 8.2931	541,563	73.60	1.11	-	302,811
8.2932 - 99.9999	859,723	74.54	1.59	-	688,365
Default or 100	94,975	75.41	2.26	-	105,952
Total Hire Purchase Exposures	12,289,041			-	4,097,670
Other Retail Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	6,858,217	40.75	0.27	1,718,427	931,400
0.5943 - 1.0159	2,376,550	44.50	0.43	368,360	517,344
1.0160 - 2.2722	726,294	51.19	0.66	117,074	243,488
2.2723 - 4.1028	625,909	52.12	0.73	85,672	232,345
4.1029 - 8.2931	2,105,017	64.63	0.82	12,744	821,586
8.2932 - 99.9999	1,126,547	49.28	0.86	86,501	513,321
Default or 100	429,385	51.94	2.78	746	708,769
Total Other Retail Exposures	14,247,919			2,389,524	3,968,253
Total Retail Exposures	72,732,028			6,412,434	20,771,308

Table 5.2.1b: Exposures under the IRB Approach by Expected Loss Range Band

The disclosure on exposures by Expected Loss Range Band (IRB Approach) for Retail of the Group is as follows:

30 SEPTEMBER 2024					
Expected Loss Range %	Exposures post CRM RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000	RWA RM'000
Retail Exposures:					
Residential Mortgages					
0.0001 - 0.0737	8,217,417	29.30	0.20	3,614	802,759
0.0738 - 0.5942	25,668,050	36.40	0.36	31,936	4,671,689
0.5943 - 1.0159	1,283,960	38.08	1.06	2,219	682,102
1.0160 - 2.2722	927,983	30.23	1.44	293	656,748
2.2723 - 4.1028	966,712	39.32	1.92	1,317	926,701
4.1029 - 8.2931	715,570	30.52	1.73	133	614,974
8.2932 - 99.9999	2,415,080	37.85	1.15	1,625	1,379,432
Default or 100	1,260	36.47	-	-	-
Total Residential Mortgages	40,196,032			41,137	9,734,405
Qualifying Revolving Retail Exposures					
0.0001 - 0.0737	419	66.37	8.28	419	1,738
0.0738 - 0.5942	2,169,751	165.02	0.41	1,870,748	477,760
0.5943 - 1.0159	1,520,604	174.27	0.63	1,301,582	475,610
1.0160 - 2.2722	876,926	164.05	1.07	407,267	473,092
2.2723 - 4.1028	836,444	165.30	1.65	292,696	690,538
4.1029 - 8.2931	370,545	159.35	2.46	68,257	455,731
8.2932 - 99.9999	220,790	135.79	3.58	37,300	396,511
Default or 100	3,557	77.58	-	3,504	-
Total Qualifying Revolving Retail Exposures	5,999,036			3,981,773	2,970,980
Hire Purchase Exposures					
0.0001 - 0.0737	43	37.20	0.12	-	5
0.0738 - 0.5942	9,525,906	72.05	0.49	-	2,354,159
0.5943 - 1.0159	583,442	75.01	0.96	-	283,105
1.0160 - 2.2722	1,030,574	73.85	1.07	-	553,176
2.2723 - 4.1028	196,113	73.74	1.16	-	114,004
4.1029 - 8.2931	375,123	74.01	1.44	-	270,945
8.2932 - 99.9999	577,840	75.06	1.80	-	522,276
Default or 100	-	-	-	-	-
Total Hire Purchase Exposures	12,289,041			-	4,097,670
Other Retail Exposures					
0.0001 - 0.0737	987,601	29.33	0.19	70,191	91,625
0.0738 - 0.5942	8,834,547	42.66	0.34	2,127,815	1,504,208
0.5943 - 1.0159	575,800	55.49	0.74	74,897	218,154
1.0160 - 2.2722	2,364,411	63.20	0.81	32,040	929,682
2.2723 - 4.1028	300,962	54.31	0.92	48,420	138,145
4.1029 - 8.2931	279,448	54.24	2.19	3,175	319,502
8.2932 - 99.9999	889,899	52.50	1.49	32,986	766,937
Default or 100	15,251	49.93	-	-	-
Total Other Retail Exposures	14,247,919			2,389,524	3,968,253
Total Retail Exposures	72,732,028			6,412,434	20,771,308

5.2 Credit Risk Exposure under the IRB Approach (Cont'd.)

5.2.2 Non-Retail PD Model

PDs for wholesale borrowers/customers are generated by wholesale models differentiated by turnover size, specialised lending segments, contracting business and real estate activities. The methods used to develop models for risk quantification are summarised as follows:

- I. Statistical method - Built and tested with data statistically;
- II. Hybrid method - Built judgmentally and tested with limited data;
- III. Expert method - Built on expert judgement; or
- IV. Slotting method - Slot credit based on supervisory slotting criteria.

A hybrid rating model of point in time and through the cycle is generally adopted in wholesale rating models. The models allow expert judgment by credit evaluation officers to be reflected as the final rating for consideration of some model inputs not captured by the models. The internal risk grades are calibrated to the long run average default rates with upward adjustments made to the downturn period of year 2008 and 2009 to reflect 2000/2001 recession such that the PD increases exponentially at each higher risk grades. For models such as income-producing real estate, project finance and object finance (i.e. specialised lending models) which are difficult to model due to low default portfolio, these segments are developed using the supervisory slotting criteria. Similar default definition as per Basel II requirement is adopted across all non-retail exposures.

The rating is determined at customer level and translated into PD based on the calibration parameters that mapped to AmBank Masterscale. For regulatory RWA computation, a minimum floor PD of 0.03% is applied for conservativeness.

Corporate borrower/customer risk grade can be mapped to external agency ratings. Table below depicts AmBank Masterscale and mapping of internal risk grades of corporate borrowers/customers with Rating Agency of Malaysia ("RAM") rating grades. The external agency ratings recognise transaction structure and collateral, whereas internal rating reflects that in combination of PD (Risk Grade) and LGD, where PD (Risk Grade) is strictly borrower/customer default while transaction mitigation and collateral is reflected in LGD.

Category	Risk Grade	PD Range	RAM Equivalent
Exceptionally	1 to 6	0.0001% - 0.0737%	AAA
Very Strong	7 to 12	0.0738% - 0.5942%	AA1-A3
Strong	13 to 14	0.5943% - 1.0159%	BBB1 to BBB2
Satisfactory	15 to 16	1.0160% - 2.2722%	BBB3 to BB2
Moderate	17 to 18	2.2723% - 4.1028%	BB3
Marginal	19 to 20	4.1029% - 8.2931%	B1 to B3
Substandard	21 to 24	8.2932% - 99.9999%	C1 to C3

Securitisation and Equity Exposures (Banking Book) are disclosed under the Standardised Approach under section 7 and 10 respectively.

Table 5.2.2a: Exposures under the IRB Approach by Risk Grade or PD Band

The disclosure on exposures by PD Band (IRB Approach) for Non-Retail of the Group is as follows:

30 SEPTEMBER 2024					
PD Range %	Exposures post CRM RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000	RWA RM'000
Non-Retail Exposures:					
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0001 - 0.0737	1,620,742	93.39	0.31	196,746	244,298
0.0738 - 0.5942	26,096,196	85.27	0.95	4,231,148	12,462,301
0.5943 - 1.0159	12,141,405	82.05	1.54	1,769,926	9,382,542
1.0160 - 2.2722	9,311,742	83.27	1.96	1,240,708	9,318,532
2.2723 - 4.1028	3,083,925	77.46	2.18	327,158	3,497,675
4.1029 - 8.2931	1,115,595	80.43	2.75	115,301	1,524,809
8.2932 - 99.9999	1,036,846	81.85	4.08	104,486	2,032,837
Default or 100	1,193,406	88.34	-	481	-
Total Corporate (excluding Specialised Lending and firm-size adjustment)	55,599,857			7,985,954	38,462,994
Corporate (with firm-size adjustment)					
0.0001 - 0.0737	6,022	90.00	0.27	74	928
0.0738 - 0.5942	4,504,120	78.09	0.83	1,082,696	1,879,540
0.5943 - 1.0159	2,746,524	68.99	1.05	722,774	1,469,104
1.0160 - 2.2722	6,452,142	74.50	1.40	1,312,276	4,525,459
2.2723 - 4.1028	4,267,274	75.51	1.72	620,889	3,701,060
4.1029 - 8.2931	1,744,490	71.24	1.75	106,631	1,515,849
8.2932 - 99.9999	1,045,954	74.69	2.77	54,993	1,425,332
Default or 100	431,975	80.14	-	10,107	-
Total Corporate (with firm-size adjustment)	21,198,501			3,910,440	14,517,272
Qualifying Purchased Corporate Receivables					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	-	-	-	-	-
0.5943 - 1.0159	34,458	45.00	0.78	16,961	26,976
1.0160 - 2.2722	-	-	-	-	-
2.2723 - 4.1028	-	-	-	-	-
4.1029 - 8.2931	-	-	-	-	-
8.2932 - 99.9999	-	-	-	-	-
Default or 100	-	-	-	-	-
Total Qualifying Purchased Corporate Receivables	34,458			16,961	26,976
Total Non-Retail Exposures (excluding Specialised Lending (Slotting Approach))	76,832,816			11,913,355	53,007,242

Table 5.2.2b Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised Lending Exposures under Supervisory Slotting Criteria of the Group is as follows:

30 SEPTEMBER 2024						
Supervisory Categories/Risk-Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures (Slotting Approach)						
Project Finance	2,099,503	2,856,659	138,899	-	-	5,095,061
Object Finance	125,002	582,480	6,469	-	-	713,951
Income Producing Real Estate	1,026,498	4,167,151	1,078,986	170,273	25,939	6,468,847
	3,251,003	7,606,290	1,224,354	170,273	25,939	12,277,859
Risk-Weighted Assets	1,628,422	5,482,516	1,408,007	425,682	-	8,944,627

30 SEPTEMBER 2024						
Supervisory Categories/Risk-Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures (Slotting Approach)						
High Volatility Commercial Real Estate	-	263,582	182,081	82,561	2,808	531,032
Risk-Weighted Assets	-	316,300	254,913	206,401	-	777,614

5.3 Credit Risk Mitigation

Collateral taken by the Group

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

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral. 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 the 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 FIRB 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 Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. For Non-Retail portfolio, where a counterparty's corporate guarantor guarantees 100% of the credit facility, the credit risk rating of the counterparty is able to be substituted, subject to fulfilling certain stipulated conditions. Otherwise, if the stipulated conditions are met but the guarantee is less than 100%, the weighted-average method is able to be employed.

Under the FIRB Approach for non-retail, the Group adopts the PD substitution approach whereby the exposure guaranteed by an eligible guarantor will substitute the PD of the counterparty in the computation of capital if the guarantor is internally rated and associated with a PD equivalent to BBB- or better. For retail exposures, guarantor is being considered as part of PD assessment.

Use of credit derivatives and netting for risk mitigation

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

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the tenure of the loans/financing, amortisation schedules and loan/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 loan/financing assets.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework.

Table 5.3.1a: Credit Risk Mitigation

The total exposures and eligible guarantees and collateral of the Group under Standardised Approach are as follows:

Exposure Class	30 SEPTEMBER 2024		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
<u>Exposures under the Standardised Approach:</u>			
<u>On-balance sheet exposures:</u>			
Sovereigns/Central banks	20,573,244	-	-
PSEs	18,057	-	-
Banks, DFIs and MDBs	6,761,708	-	-
Insurance companies, Securities firms and Fund managers	15,622	-	-
Corporates	13,561,388	1,510,483	1,045,268
Regulatory retail	6,943,330	4,480	3,119,388
Residential mortgages	217,012	-	-
Higher risk assets	40,683	-	-
Other assets	2,684,421	-	-
Securitisation exposures	90	-	-
Equity exposures	817,775	-	-
Defaulted exposures	58,281	-	303
Total on-balance sheet exposures	51,691,611	1,514,963	4,164,959
<u>Off-balance sheet exposures:</u>			
OTC derivatives	2,241,622	-	769,180
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,973,409	100,969	5,524,277
Defaulted exposures	24	-	-
Total off-balance sheet exposures	11,215,055	100,969	6,293,457
Total on and off-balance sheet exposures	62,906,666	1,615,932	10,458,416

Table 5.3.1a: Credit Risk Mitigation (Cont'd.)

The total exposures and eligible guarantees and collateral of the Group under Standardised Approach are as follows: (Cont'd.)

Exposure Class	31 MARCH 2024		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
<u>Exposures under the Standardised Approach:</u>			
<u>On-balance sheet exposures:</u>			
Sovereigns/Central banks	18,987,266	-	-
PSEs	6,587	-	-
Banks, DFIs and MDBs	6,846,800	-	-
Insurance companies, Securities firms and Fund managers	816	-	-
Corporates	80,277,608	4,392,900	8,064,582
Regulatory retail	39,415,435	2,044,126	4,941,512
Residential mortgages	33,150,016	-	15,346
Higher risk assets	50,000	-	-
Other assets	3,276,330	-	-
Securitisation exposures	90	-	-
Equity exposures	731,157	-	-
Defaulted exposures	1,692,258	183,754	20,816
Total on-balance sheet exposures	184,434,363	6,620,780	13,042,256
<u>Off-balance sheet exposures:</u>			
OTC derivatives	2,134,424	-	538,283
Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,657,341	416,195	9,333,745
Defaulted exposures	61,934	218	11,294
Total off-balance sheet exposures	21,853,699	416,413	9,883,322
Total on and off-balance sheet exposures	206,288,062	7,037,193	22,925,578

Table 5.3.1b: Credit Risk Mitigation

The total exposures and eligible guarantees and collateral of the Group under IRB Approach are as follows:

Exposures	30 SEPTEMBER 2024			
	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by Other Eligible Collateral RM'000
Credit risk				
Exposures under the IRB Approach:				
On-balance sheet exposures:				
Corporates	68,786,364	1,447,352	1,720,069	13,494,720
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	41,901,057	288,731	1,014,446	7,209,020
(b) Corporate (with firm-size adjustment)	15,471,921	1,158,621	705,623	6,285,700
(c) Qualifying Purchased Corporate Receivables	17,497	-	-	-
(d) Specialised Lending (Slotting Approach)	11,395,889	-	-	-
- Project Finance	4,468,355	-	-	-
- Object Finance	471,567	-	-	-
- Income Producing Real Estate	5,942,016	-	-	-
- High Volatility Commercial Real Estate	513,951	-	-	-
Retail Exposures	64,732,198	800,637	-	-
(a) Residential Mortgages	39,184,633	-	-	-
(b) Qualifying Revolving Retail Exposures	2,002,340	-	-	-
(c) Hire Purchase Exposures	12,194,067	-	-	-
(d) Other Retail Exposures	11,351,158	800,637	-	-
Defaulted Exposures	3,073,271	-	13,234	338,954
Total on-balance sheet exposures	136,591,833	2,247,989	1,733,303	13,833,674
Off-balance sheet exposures:				
Over the counter ("OTC") derivatives	447,010	-	1,120	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	25,219,741	184,043	2,236,182	1,739,577
Defaulted exposures	115,151	-	16,908	-
Total off-balance sheet exposures	25,781,902	184,043	2,254,210	1,739,577
Total on and off-balance sheet exposures	162,373,735	2,432,032	3,987,513	15,573,251

5.4 Credit Risk Exposure under Standardised Approach

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

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

Table 5.4.1: Credit exposures by risk weights under the Standardised Approach

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

30 SEPTEMBER 2024													
Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	PSEs	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	22,780,076	-	101,519	-	6,895,321	3,456	-	-	942,072	-	-	30,722,444	-
20%	-	81,614	7,862,398	-	3,470,583	1,024	-	-	312,782	-	-	11,728,401	2,345,680
35%	-	-	-	-	-	-	150,615	-	-	-	-	150,615	52,715
50%	-	-	597,716	-	2,704	13,352	87,667	-	-	-	-	701,439	350,719
75%	-	-	-	-	-	2,562,520	-	-	-	-	-	2,562,520	1,921,890
100%	-	-	156	26,515	2,562,245	1,696,992	-	-	1,429,567	-	817,775	6,533,250	6,533,250
150%	-	-	-	-	10	8,798	-	40,683	-	-	-	49,491	74,237
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	22,780,076	81,614	8,561,789	26,515	12,930,863	4,286,142	238,282	40,683	2,684,421	90	817,775	52,448,250	11,279,616

31 MARCH 2024													
Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	PSEs	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	19,506,698	-	101,377	-	10,108,910	1,462,990	-	-	910,931	-	-	32,090,906	-
20%	-	199,981	7,772,459	-	11,873,385	722,272	-	-	808,020	-	-	21,376,117	4,275,224
35%	-	-	-	-	-	-	24,149,677	-	-	-	-	24,149,677	8,452,387
50%	129,760	-	241,044	-	282,333	26,723	9,265,510	-	-	-	-	9,945,370	4,972,685
75%	-	-	-	-	-	28,579,553	-	-	-	-	-	28,579,553	21,434,665
100%	-	-	-	23,049	63,743,943	8,063,471	297,539	-	1,557,378	-	731,157	74,416,537	74,416,537
150%	-	-	-	-	249,441	223,272	-	60,427	-	-	-	533,140	799,710
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	19,636,458	199,981	8,114,880	23,049	86,258,012	39,078,281	33,712,726	60,427	3,276,329	90	731,157	191,091,390	114,352,333

Table 5.4.2: Rated Exposures according to Ratings by ECAIs

30 SEPTEMBER 2024					
Ratings of Corporate by Approved ECAIs					
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated	
RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated	
Group					
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures					
Credit exposures (using corporate risk weights)					
PSEs (applicable for entities risk weighted based on their external ratings as corporates)					
	81,650	-	-	-	81,650
Insurance companies, Securities firms and Fund managers					
	26,515	-	-	-	26,515
Corporates					
	14,106,098	3,468,555	-	12,480	10,625,063
Total	14,214,263	3,468,555	-	12,480	10,733,228

31 MARCH 2024					
Ratings of Corporate by Approved ECAIs					
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated	
RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated	
Group					
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures					
Credit exposures (using corporate risk weights)					
PSEs (applicable for entities risk weighted based on their external ratings as corporates)					
	199,981	-	-	-	199,981
Insurance companies, Securities firms and Fund managers					
	26,144	-	-	-	26,144
Corporates					
	90,741,675	11,958,153	139,545	15,262	78,628,715
Total	90,967,800	11,958,153	139,545	15,262	78,854,840

30 SEPTEMBER 2024		
Short term Ratings of Banking Institutions and Corporate by Approved ECAIs		
Moody's		P-1
Fitch		F1+ F1
RAM		P-1
MARC		MARC-1
Group		
Exposure class	RM'000	RM'000
Rated Credit Exposures		
Corporates		
	-	-
Total	-	-

31 MARCH 2024		
Short term Ratings of Banking Institutions and Corporate by Approved ECAIs		
Moody's		P-1
Fitch		F1+ F1
RAM		P-1
MARC		MARC-1
Group		
Exposure class	RM'000	RM'000
Rated Credit Exposures		
Corporates		
	476,883	476,883
Total	476,883	476,883

Table 5.4.2: Rated Exposures according to Ratings by ECAs (Cont'd.)

		30 SEPTEMBER 2024	
		Ratings of Sovereigns and Central Banks by Approved ECAs	
Moody's		Baa1 to Baa3	
Fitch		BBB+ to BBB-	
Group			
Exposure Class		RM'000	RM'000
On and off-balance sheet exposures			
Sovereigns and Central banks		22,780,076	22,780,076
Total		22,780,076	22,780,076

		31 MARCH 2024	
		Ratings of Sovereigns and Central Banks by Approved ECAs	
Moody's		Baa1 to Baa3	
Fitch		BBB+ to BBB-	
Group			
Exposure Class		RM'000	RM'000
On and off-balance sheet exposures			
Sovereigns and Central banks		19,636,458	19,636,458
Total		19,636,458	19,636,458

		30 SEPTEMBER 2024				
		Ratings of Banking Institutions by Approved ECAs				
Moody's		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
Fitch		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
RAM		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
MARC		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Group						
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs		14,557,753	7,916,860	2,832,479	14,660	1,444
Total		14,557,753	7,916,860	2,832,479	14,660	3,792,310

		31 MARCH 2024				
		Ratings of Banking Institutions by Approved ECAs				
Moody's		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
Fitch		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
RAM		AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
MARC		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Group						
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs		14,187,215	10,652,102	2,658,605	13,214	1,507
Total		14,187,215	10,652,102	2,658,605	13,214	861,787

Table 5.4.3: Securitisation according to Ratings by ECAIs

			30 SEPTEMBER 2024	
			Ratings of Securitisation by Approved ECAIs	
			Unrated	Unrated
Moody's				
Fitch				
RAM				
MARC				
Group				
Exposure class			RM'000	RM'000
On and off-balance sheet exposures				
Securitisation exposures			90	90
Total			90	90

			31 MARCH 2024	
			Ratings of Securitisation by Approved ECAIs	
			Unrated	Unrated
Moody's				
Fitch				
RAM				
MARC				
Group				
Exposure class			RM'000	RM'000
On and off-balance sheet exposures				
Securitisation exposures			90	90
Total			90	90

6.0 Off-Balance Sheet exposures and Counterparty Credit Risk

6.1 Off-Balance Sheet exposures

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

- (1) Credit related exposures, e.g. direct credit substitute, guarantees given on behalf of borrowers/customers, certain transaction-related contingent items, obligation under underwriting agreement, short-term self-liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.
- (2) Derivative financial instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).
- (3) Other treasury-related exposures, e.g. forward purchase commitment.

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

6.2 Counterparty Credit Risk

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

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

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

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

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

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

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

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

Table 6.3: Off-Balance Sheet Exposures

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

	30 SEPTEMBER 2024			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,221,262		1,220,666	558,977
Transaction-related contingent Items	7,313,317		3,656,956	2,112,968
Short-term self-liquidating trade-related contingencies	644,879		111,202	80,146
Forward Asset Purchases	405,265		22,386	9,153
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,645,141		7,874,340	84,689
Foreign exchange related contracts				
One year or less	13,682,599	247,858	213,565	153,803
Over one year to five years	6,185	-	306	276
Interest/Profit rate related contracts				
One year or less	263,888	178	-	-
Over one year to five years	1,648,078	9,477	8,842	8,437
Over five years	473,038	980	22,127	19,914
Equity and commodity related contracts				
One year or less	2,351,797	29,101	18,134	6,168
Over one year to five years	88,502	1,471	5,011	1,002
Gold and Other Precious Metal Contracts				
One year or less	74,705	1,607	4,221	4,245
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	71,075,619	1,337,216	2,416,426	602,886
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	20,946,951		2,738,506	725,847
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,207,838		14,645,772	8,938,127
Unutilised credit card lines	5,813,597		4,038,497	1,497,377
Total	135,862,661	1,627,888	36,996,957	14,804,015

Table 6.3: Off-Balance Sheet Exposures (Cont'd.)

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

31 MARCH 2024				
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,644,803		1,565,721	1,331,966
Transaction-related contingent Items	7,000,448		3,455,219	2,836,208
Short-term self-liquidating trade-related contingencies	811,097		138,438	124,147
Forward Asset Purchases	904,729		38,721	7,955
Obligations under on-going underwriting agreements	10,373		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,645,141		6,760,919	82,148
Foreign exchange related contracts				
One year or less	18,770,742	133,013	295,294	192,953
Over one year to five years	318,988	711	22,113	11,057
Interest/Profit rate related contracts				
One year or less	1,165,106	8,146	10,169	600
Over one year to five years	1,881,250	13,868	43,135	23,840
Over five years	39,000	652	2,998	1,499
Equity and commodity related contracts				
One year or less	2,540,990	27,966	19,313	10,265
Over one year to five years	18,840	288	719	144
Gold and Other Precious Metal Contracts				
One year or less	64,278	1,719	6,219	5,472
Other Commodity Contracts				
One year or less	80,115	2,406	6,440	1,288
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	65,056,991	823,539	1,728,024	871,982
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19,021,868		1,872,499	1,427,537
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,765,182		4,764,783	2,728,362
Unutilised credit card lines	5,614,875		1,122,975	832,747
Total	135,354,816	1,012,308	21,853,699	10,490,170

6.4: Credit Derivatives Counterparty Credit Risk ("CCR")

The Group did not have any counterparty credit risk exposure as at 30 September 2024 and 31 March 2024.

7.0 Securitisation

7.1 Objectives, roles and involvement

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

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

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

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

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

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

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

7.3 Governance

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

The exposures held in the trading book and banking book are governed by the limits set by the respective books (Trading & Banking Book Policy) and the Credit Committee (CACC members) for credit limit approvals.

For non-retail, the use of credit risk mitigation to mitigate the risks retained through securitisation exposures shall be guided by the Credit Risk Mitigation Policy/Guideline (refer to section 5.3 on 'Credit Risk Mitigation'), unless there are specific collateral acceptance criteria set out for specific products.

7.4 Risk measurement and reporting of securitisation exposures

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

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

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

7.6 Accounting Policies for Securitisation

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

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

- (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or
- (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

7.7 Use of external rating agencies

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

Table 7.8: Securitisation (Trading and Banking Book)

The securitised exposures of the Group are as follows:

30 SEPTEMBER 2024				
Underlying Asset	Total Exposures Securitized RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial period RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Mortgage loans	1,193,148	-	1,181,581	-
Total Traditional Securitisation	1,193,148	-	1,181,581	-

31 MARCH 2024				
Underlying Asset	Total Exposures Securitized RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Mortgage loans	1,170,679	-	1,159,141	-
Total Traditional Securitisation	1,170,679	-	1,159,141	-

The Group did not have any exposures under synthetic securitisation as at 30 September 2024 and 31 March 2024.

Table 7.9: Securitisation under the Standardised Approach for Banking Book Exposures

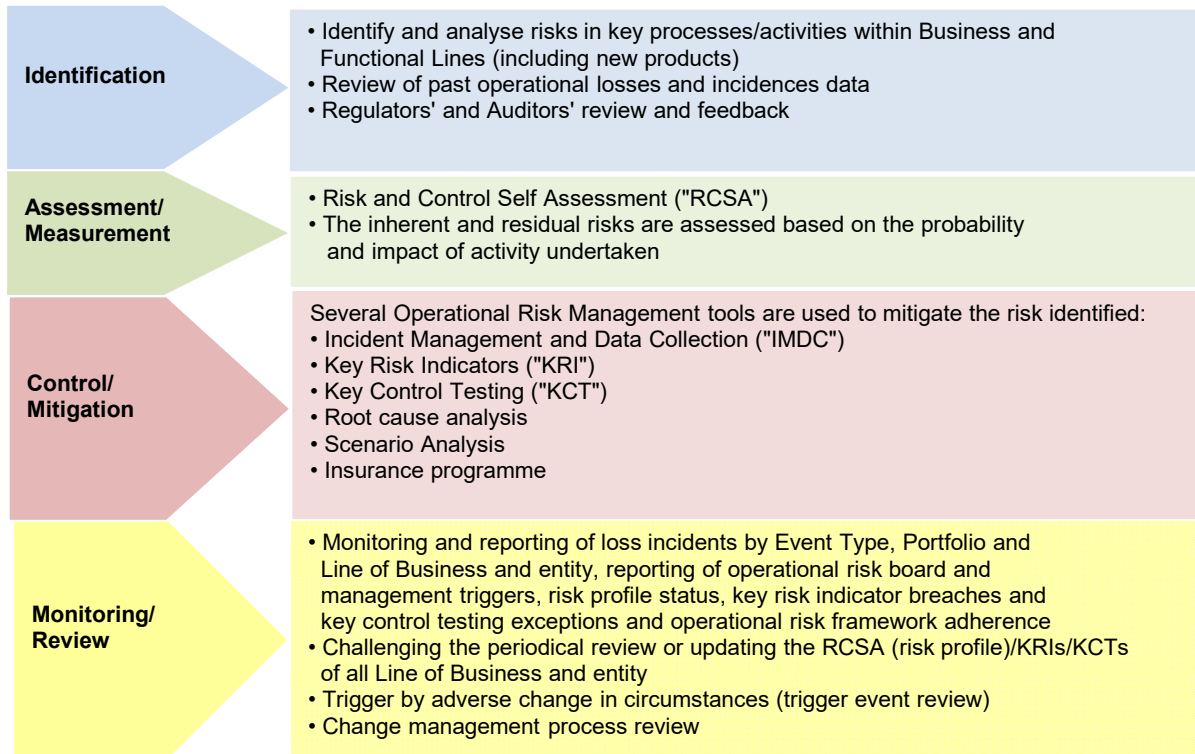
30 SEPTEMBER 2024					
Group	Exposure Value of Positions Purchased or Retained	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights	Risk Weighted Assets
				Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives	
Securitisation Exposures by Exposure Type	RM'000	RM'000	RM'000	1250% RM'000	RM'000
Traditional Securitisation Originated by Third Party On-Balance Sheet Exposures	-	-	-	-	-
Originated by the Group On-Balance Sheet Exposures	90	90	-	90	1,125
Total Traditional Securitisation	90	90	-	90	1,125

31 MARCH 2024					
Group	Exposure Value of Positions Purchased or Retained	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights	Risk Weighted Assets
				Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives	
Securitisation Exposures by Exposure Type	RM'000	RM'000	RM'000	1250% RM'000	RM'000
Traditional Securitisation Originated by Third Party On-Balance Sheet Exposures	90	90	-	90	1,125
Originated by the Group On-Balance Sheet Exposures	-	-	-	-	-
Total Traditional Securitisation	90	90	-	90	1,125

There is no securitisation exposure under trading book as at 30 September 2024 and 31 March 2024.

8.0 Operational Risk

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



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 section 12 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non-financial risk or return attributes in order to support the achievement of the Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational risk 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 Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order for accountability and ownership to be as close as possible to the activity that creates the risk and ensuring that effective action is 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 of defence, 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, KCT exceptions, operational loss incidents to GMRC, RMC and the Board.
- Group Internal Audit ("GIAD") acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

8.0 Operational Risk (Cont'd.)

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

- The IMDC module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- The RCSA is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The 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 Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, Risk Management Committee Director ("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.

8.1 Business Continuity Management

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

Identification	<ul style="list-style-type: none"> • Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	<ul style="list-style-type: none"> • Business Impact Analysis ("BIA") • Risk Assessment • Climate-related Operational Risk Assessment
Control/ Mitigation	<ul style="list-style-type: none"> • Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") plan
Monitoring/ Review	<ul style="list-style-type: none"> • BC plan testing and exercise • Review of BC Plan • BC site readiness and maintenance

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

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

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

The 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.

8.2 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 Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding borrowers'/customers' information.

The Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defence mechanisms and uplift governance processes alongside the Group's cyber risk management strategy - to identify threats in a timely manner, and build or enhance the right defences to mitigate risks. Creating a security mindset for employees and borrowers/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.

8.3 Legal Risk

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

Legal risk is overseen by 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.

8.4 Regulatory Compliance Risk

The Group has zero tolerance for any form of regulatory breaches (including bribery or corruption and Shariah non-compliance events). The Group is committed to always maintain the highest integrity and ethical standards by complying to the Code of Conduct and the applicable laws and regulations to ensure the protection of our business and promote operational excellence through ethical behaviour.

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

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

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

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

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

9.0 Market Risk Management

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

9.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.



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

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which the Group 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 Group is able to absorb extreme, unanticipated market movements.

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

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

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

9.1 Traded Market Risk (“TMR”) (Cont'd.)

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

9.2 Non-Traded Market Risk (“NTMR”)

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

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

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

Identification	<ul style="list-style-type: none"> • Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	<ul style="list-style-type: none"> • Present Value of One Basis Point (“PV01”) • Earnings-at-Risk (“EaR”) • ICAAP IRR/RORBB Economic Value of Equity (“EVE”) • ICAAP IRR/RORBB EaR
Control/ Mitigation	<ul style="list-style-type: none"> • PV01 Triggers • EaR Triggers • ICAAP IRR/RORBB EVE /Total Capital Trigger • ICAAP IRR/RORBB EaR /Total Net Interest/Profit Income (“NII/NPI”) Trigger
Monitoring/ Review	<ul style="list-style-type: none"> • Monitor controls • Periodical review and reporting

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

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

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

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

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

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

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

9.2 Non-Traded Market Risk ("NTMR") (Cont'd.)

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

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

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

Table 9.3: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

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

	30 SEPTEMBER 2024	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation and Zakat	181,239	(181,239)
Impact on Equity	(1,437,133)	1,589,752

	31 MARCH 2024	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation and Zakat	89,017	(89,017)
Impact on Equity	(1,476,671)	1,630,390

10.0 Equities (Banking Book Positions)

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

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

Measurement of equity securities, management has elected at initial recognition to irrevocably designate certain equity investment not held for trading at financial assets at fair value through profit or loss ("FVTPL") and FVOCI. When this election is used, fair value gains and losses for equity investment at FVTPL are recognised in profit or loss and equity investment at FVOCI are recognised in other comprehensive income.

Table 10.1: Equity investments and capital requirement

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

	30 SEPTEMBER 2024	31 MARCH 2024
	RM'000	RM'000
Non-traded equity investments		
Value of quoted (publicly traded) equities	13,956	13,996
Value of unquoted (privately held) equities	845,722	758,546
Total	859,678	772,542
Net realised and unrealised gains		
Total unrealised gains	87,176	35,012
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	818,994	732,356
Equity investments subject to a 150% risk weight	61,025	60,280
Total	880,019	792,636
Total minimum capital requirement (8%)	70,402	63,411

11.0 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing/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 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Liquidity Coverage Ratio ("LCR") Net Stable Funding Ratio ("NSFR") Depositor Concentration Ratios Other Detailed Controls
Control/ Mitigation	<ul style="list-style-type: none"> LCR Limits/Triggers NSFR Limits//Triggers/Targets Depositor Concentration Ratios Other Detailed Triggers/Targets
Monitoring/ Review	<ul style="list-style-type: none"> Monitor controls Periodical review and reporting

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

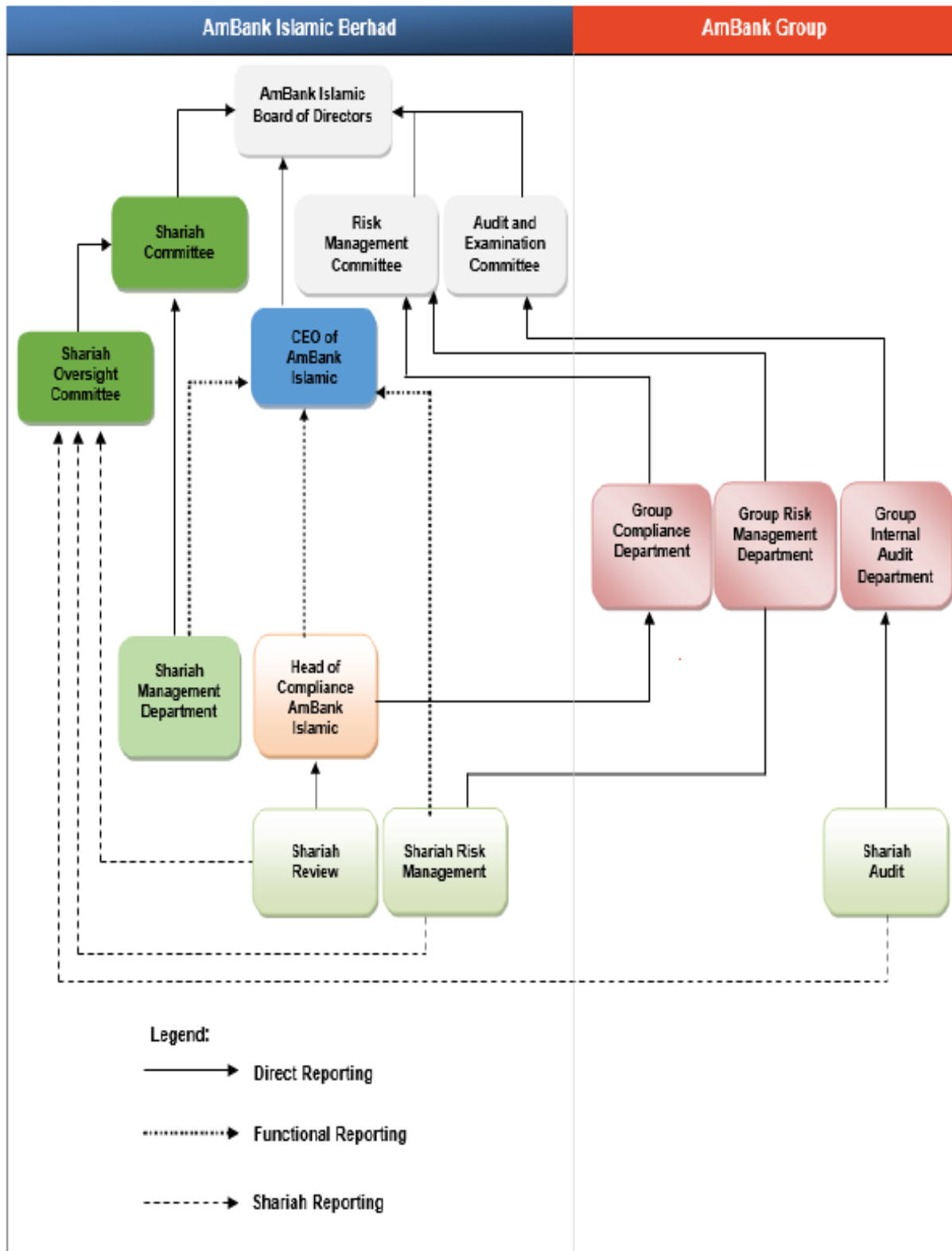
The Board provides the liquidity risk management oversight including setting and reviewing the liquidity risk appetite while GALCO is the core management committee established by the Board to oversee the overall liquidity management of the Group.

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

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

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

12.0 Shariah Governance Structure



12.0 Shariah Governance Structure (Cont'd.)

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

Apart from the Shariah Management Department, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on 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 AmBank Islamic's operations are Shariah compliant through the independent assurance from the Shariah Audit function. The reports from the Shariah Review Section are also presented to the AEC for information. The AEC also provides the recommendation on the performance evaluation and reappointment of the Shariah Committee members to the Group Nomination and Remuneration Committee for onward recommendation to the Board.

Risk Management Committee ("RMC")

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

Shariah Committee ("ShC")

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 AmBank Islamic's business and operations. In addition to endorsing the zakat computation mechanism and the proposed recipients for zakat distribution, the Shariah Committee provides advice and guidance on the management of the zakat fund, charity and other social programmes or activities.

Shariah Oversight Committee ("SOC")

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 AmBank Islamic and the Group are responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters of AmBank Islamic 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.

12.0 Shariah Governance Structure (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, control, monitors and reports any Shariah non-compliance risks to prevent any Shariah non-compliant incidents in the businesses, operations, affairs and activities of AmBank Islamic.

The management of Shariah risk is executed through the three lines of defence, 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 AmBank Islamic, with Shariah reporting to the Shariah Oversight Committee. Shariah Review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of AmBank Islamic which are predominantly transactional in nature, with Shariah requirements.

The Shariah Review Section also acts as the Shariah Non-Compliance Officer ("SNCO") of AmBank Islamic. 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 AmBank Islamic's internal control, risk management systems, governance processes as well as the overall compliance of AmBank Islamic's operations, business, affairs and activities with Shariah requirements. The Shariah Audit's scope includes but is not limited to activities undertaken by departments and functions that relate to Islamic products and services.

12.1 Shariah Non-Compliant ("SNC") Income

For the financial period ended 30 September 2024, there were no Shariah Non-Compliant ("SNC") incidents.

For the financial year ended 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 has been purified by channelling to charity. The system has been enhanced to mitigate the recurrence.

13.0 Investment Account ("IA")

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

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

As part of the measures to further support the growth in financing or assets of AmBank Islamic, AmBank Islamic is allowed to recognise the placement of Investment accounts for the purpose of:

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

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

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

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

Restricted Investment Account ("RA")

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

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

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

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

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

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

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

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

Mudarabah Term Investment Account ("MTIA-i")

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

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

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

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

Valuation methodology employed is in accordance with sound industry practice and consistent with the Malaysian Financial Reporting Standards. AmBank Islamic monitored the performance of the investment asset on monthly basis. The net return/loss on the MTIA-i are published on AmBank Islamic website.

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

As at 30 September 2024, balance of MTIA-i stood at RM1.2 million (31 March 2024: RM1.4 million). The performance of MTIA-i is as described in the table below:

As at 30 SEPTEMBER 2024	%
Return on Assets ("ROA")	4.99
Average Net Distributable Income Attributable to IAH	2.43
Average Profit Sharing Ratio to IAH	48.81
As at 31 MARCH 2024	%
Return on Assets ("ROA")	4.96
Average Net Distributable Income Attributable to IAH	2.41
Average Profit Sharing Ratio to IAH	48.52