Registration No. 199401009897 (295576–U)

AmBank Islamic Berhad

Pillar 3 Disclosure

30 September 2024

Registration No. 199401009897 (295576–U)

CAFIB - Pillar 3 Disclosure
For 30 September 2024

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1.0 Scope of Application

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

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

Capital Adequacy

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

The capital adequacy ratios of the Bank are computed in accordance with BNM's policy documents on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 14 June 2024 and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 18 December 2023.

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

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

On 29 July 2024, the Bank has received approval from BNM to migrate to Foundation Internal Ratings Based Approach ("FIRB") for credit risk under Capital Adequacy Framework from Islamic Banks (Risk Weighted Assets). With effect from 1 August 2024, the following components of the capital adequacy ratios are computed in accordance with 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

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

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

2.0 Capital Management

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

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

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

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

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

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

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

2.0 Capital Management (Cont'd.)

Table 2.1: Capital Adequacy Ratios

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

The capital adequacy ratios with transitional arrangements of the Bank is as follows:

	31 March 2024
Before deducting proposed dividends:	
CET 1 Capital ratio	13.103%
Tier 1 capital ratio	13.103%
Total capital ratio	17.774%
After deducting proposed dividends:	
CET 1 Capital ratio	13.047%
Tier 1 Capital ratio	13.047%
Total Capital ratio	17.719%

Effective 1 April 2024, the transitional arrangements have ended.

The capital adequacy ratios without transitional arrangements of the Bank is as follows:

	30 September 2024 (Note (i))	31 March 2024 (Note (ii))
Before deducting proposed dividends:		
CET 1 Capital Ratio	15.597%	12.808%
Tier 1 Capital ratio	15.597%	12.808%
Total Capital ratio	20.279%	17.530%
After deducting proposed dividends:		
CET 1 Capital Ratio	15.216%	12.753%
Tier 1 Capital ratio	15.216%	12.753%
Total Capital ratio	19.898%	17.475%

2.0 Capital Management (Cont'd.)

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

Notes:

(i) The capital adequacy ratios of the Bank 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;

(ii) Upon the first time adoption of different approach being used to compute the capital adequacy ratios (as mentioned above), the Bank 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 Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3).

2.2 Restricted Investment Account ("RA")

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

As at 30 September 2024, the gross exposure and collective allowance relating to the RA financing were RM1,211.1 million and RM2.0 million respectively (31 March 2024: RM1,370.4 million and RM1.8 million respectively). There was no Stage 3 expected credit losses provided for the RA financing.

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

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

2.3 Mudarabah Term Investment Account ("MTIA-i")(Cont'd.)

As at 30 September 2024, the outstanding MTIA-i stood at RM1.2 million (31 March 2024: RM1.4 million).

The underlying assets tagged to both RA and MTIA-i excluded from the risk weighted capital adequacy computation of the Bank for 30 September 2024 amounted to RM620.2 million (31 March 2024: RM1,371.8 million). The reduction in RWA compared to the 31 March 2024 position is due to the transition from the Standardised Approach to FIRB.

3.0 Capital Structure

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

- CET 1 Capital;
- Tier 2 Capital.

3.1 CET1 Capital

CET1 Capital consists of the following:

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

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

c) Fair Value Reserve
The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at fair value through other comprehensive income ("FVOCI"). In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI 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 Bank can recognise 45% of the balance as part of CET1 Capital. Where the balance is a net debit position, the entire balance is deducted from CET1 Capital.

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments, 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.

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, the Bank 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 thirty (30) years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under the programme shall have a tenure of at least five (5) years from the issue date, and is callable on any profit payment date after a minimum period of five (5) years from the date of issuance of each tranche.

On 19 December 2018, AmBank Islamic revised the terms of the 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	Tenor	Profit Rate	Nominal value (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 CET 1 Capital, Tier 2 and Total Capital of the Bank are as follows:

	30 September 2024 RM'000	31 March 2024 RM'000
CET 1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	3,608,041	3,344,076
Fair value reserve	18,633	8,390
Regulatory reserve	28,501	43,368
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(251)	(220)
- Deferred tax assets	(47,577)	(52,449)
- 55% of cumulative gains of FVOCI financial instruments	(10,248)	(4,615)
- Regulatory reserve	(28,501)	(43,368)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(89)	(44)
- Other CET 1 regulatory adjustment specified by BNM	-	107,754
CET1 Capital/ Tier 1 Capital	4,955,616	4,789,999
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,300,000
Surplus of eligible provisions to expected losses	150,436	-
General provision*	37,328	407,645
Tier 2 Capital	1,487,764	1,707,645
Total Capital	6,443,380	6,497,644

* Consists of stage 1 and stage 2 loss allowances.

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

	30 September 2024 RM'000	31 March 2024 RM'000
Credit RWA	28,679,172	35,468,914
Less : Credit RWA absorbed by Investment Account	(620,253)	(1,371,871)
Total Credit RWA [1]	28,058,919	34,097,043
Market RWA	472,547	345,524
Operational RWA	2,192,258	2,114,545
Additional RWA due to Capital Floor	1,049,502	-
Total RWA	31,773,226	36,557,112

[1] As at 30 September 2024, total Credit Risk RWA for the Bank is computed based on FIRB Approach and Supervisory Slotting Criteria for major non-retail portfolio and AIRB Approach for major retail portfolio. As at 31 March 2024, total Credit Risk RWA for the Bank was computed based on Standardised Approach.

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Table 3.5: Risk Weighted Assets and Capital Requirements

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

30 September 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	RM'000
1. Credit risk							
1.1 Exposures under the Standardised Approach:							
On-balance sheet exposures							
Sovereigns/Central banks		5,295,115	5,295,115	-	-	-	-
Public Sector Entities		891	891	178	-	178	14
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")		1,023,444	1,023,444	196,600	-	196,600	15,728
Insurance Companies, Securities firms & Fund managers		15	15	15	-	15	1
Corporates		5,268,019	5,249,665	676,019	-	676,019	54,082
Regulatory retail		4,483,797	2,026,961	1,773,464	-	1,773,464	141,877
Residential mortgages		72,654	72,654	29,962	-	29,962	2,397
Higher risk assets		37,881	37,881	56,822	-	56,822	4,546
Other assets		189,404	189,404	107,095	-	107,095	8,568
Equity exposures		12,676	12,676	12,676	-	12,676	1,014
Defaulted exposures		5,751	5,722	3,291	-	3,291	263
Total on-balance sheet exposures		**16,389,647**	**13,914,428**	**2,856,122**	**-**	**2,856,122**	**228,490**
Off-balance sheet exposures							
Over the counter ("OTC") derivatives		121,115	121,115	58,269	-	58,269	4,662
Off-balance sheet exposures other than OTC derivatives or credit derivatives		329,409	269,305	71,883	-	71,883	5,750
Total off-balance sheet exposures		**450,524**	**390,420**	**130,152**	**-**	**130,152**	**10,412**
Total on and off-balance sheet exposures		**16,840,171**	**14,304,848**	**2,986,274**	**-**	**2,986,274**	**238,902**
1.2 Exposures under the IRB Approach:							
On-balance sheet exposures							
Corporates		**20,234,081**	**20,234,081**	**14,820,662**	**583,999**	**14,236,663**	**1,138,933**
(a) Corporate (excluding Specialised Lending and firm-size adjustment)		12,455,396	12,455,396	8,677,725	462,380	8,215,345	657,228
(b) Corporate (with firm-size adjustment)		4,985,841	4,985,841	3,684,137	121,619	3,562,518	285,001
(c) Specialised Lending (Slotting Approach)		**2,792,844**	**2,792,844**	**2,458,800**	**-**	**2,458,800**	**196,704**
- Project Finance		901,039	901,039	618,862	-	618,862	49,509
- Object Finance		30,926	30,926	18,554	-	18,554	1,484
- Income Producing Real Estate		1,626,856	1,626,856	1,424,434	-	1,424,434	113,955
- High Volatility Commercial Real Estate		234,023	234,023	396,950	-	396,950	31,756

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 Bank 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	RM'000	RM'000	RM'000	RM'000	RM'000
1. Credit risk (Cont'd.)							
1.2 Exposures under the IRB Approach: Approach (Cont'd.):							
On-balance sheet exposures (Cont'd.)							
Retail Exposures		**20,342,606**	**20,342,606**	**5,729,888**	**1,145**	**5,728,743**	**458,300**
(a) Residential Mortgages		12,943,892	12,943,892	3,346,007	1,145	3,344,862	267,589
(b) Qualifying Revolving Retail Exposures		541,039	541,039	437,847	-	437,847	35,028
(c) Hire Purchase Exposures		4,916,730	4,916,730	1,499,713	-	1,499,713	119,977
(d) Other Retail Exposures		1,940,945	1,940,945	446,321	-	446,321	35,706
Defaulted Exposures		1,336,776	1,336,776	285,167	-	285,167	22,813
Total on-balance sheet exposures		**41,913,463**	**41,913,463**	**20,835,717**	**585,144**	**20,250,573**	**1,620,046**
Off-balance sheet exposures							
Over the counter ("OTC") derivatives		15,148	15,148	13,398	-	13,398	1,072
Off-balance sheet exposures other than OTC derivatives or credit derivatives		7,560,851	7,560,851	3,373,336	-	3,373,336	269,866
Defaulted exposures		13,726	13,726	16,132	-	16,132	1,291
Total off-balance sheet exposures		7,589,725	7,589,725	3,402,866	-	3,402,866	272,229
Total on and off-balance sheet exposures		49,503,188	49,503,188	24,238,583	585,144	23,653,439	1,892,275
Total IRB Approach after Scaling Factor of 1.06				**25,692,898**	**620,253**	**25,072,645**	**2,005,811**
Total Standardised and IRB Approaches		**66,343,359**	**63,808,036**	**28,679,172**	**620,253**	**28,058,919**	**2,244,713**
2. Large exposure risk requirement				-	-	-	-
3. Market risk	**Long Position**	**Short Position**					
Rate of return risk							
- General rate of return risk	4,189,761	2,354,490		338,446	-	338,446	27,076
- Specific rate of return risk	1,988,680	151,570		5,228	-	5,228	418
Foreign currency risk	-	128,873		128,873	-	128,873	10,310
Total	**6,178,441**	**2,634,933**		**472,547**	**-**	**472,547**	**37,804**
4. Operational risk				2,192,258	-	2,192,258	175,381
5. Additional RWA due to Capital Floor				1,049,502	-	1,049,502	83,960
6. Total RWA and capital requirements				**32,393,479**	**620,253**	**31,773,226**	**2,541,858**

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 Bank is as follows: (Cont'd.)

31 March 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	RM'000
1. Credit risk							
1.1 Exposures under the Standardised Approach:							
On-balance sheet exposures							
Sovereigns/Central banks		5,537,976	5,537,976	-	-	-	-
Public Sector Entities		1,218	1,218	244	-	244	19
Banks, DFIs and MDBs		1,567,779	1,567,779	305,457	-	305,457	24,437
Insurance Companies, Securities firms & Fund managers		816	816	815	-	815	65
Corporates		26,260,536	25,767,213	17,919,400	1,370,430	16,548,970	1,323,918
Regulatory retail		15,563,397	12,718,810	10,470,130	1,441	10,468,689	837,495
Residential mortgages		9,569,121	9,569,121	3,908,669	-	3,908,669	312,694
Higher risk assets		37,749	37,749	56,624	-	56,624	4,530
Other assets		193,015	193,015	110,707	-	110,707	8,857
Equity exposures		12,740	12,740	12,740	-	12,740	1,019
Defaulted exposures		536,885	532,711	473,740	-	473,740	37,899
Total on-balance sheet exposures		**59,281,232**	**55,939,148**	**33,258,526**	**1,371,871**	**31,886,655**	**2,550,933**
Off-balance sheet exposures							
OTC derivatives		79,891	79,891	60,333	-	60,333	4,827
Off-balance sheet exposures other than OTC derivatives or credit derivatives		4,094,647	2,702,116	2,128,965	-	2,128,965	170,317
Defaulted exposures		14,919	14,288	21,090	-	21,090	1,687
Total off-balance sheet exposures		**4,189,457**	**2,796,295**	**2,210,388**	**-**	**2,210,388**	**176,831**
Total on and off-balance sheet exposures		**63,470,689**	**58,735,443**	**35,468,914**	**1,371,871**	**34,097,043**	**2,727,764**
2. Large exposure risk requirement				-	-	-	-
3. Market risk	**Long Position**	**Short Position**					
Rate of return risk							
- General rate of return risk	5,863,066	2,717,578		213,431	-	213,431	17,074
- Specific rate of return risk	3,353,298	209,945		5,336	-	5,336	427
Foreign currency risk	2,249	126,757		126,757	-	126,757	10,141
Total	**9,218,613**	**3,054,280**		**345,524**	**-**	**345,524**	**27,642**
4. Operational risk				2,114,545	-	2,114,545	169,164
5. Total RWA and capital requirements				**37,928,983**	**1,371,871**	**36,557,112**	**2,924,570**

4.0 General Risk Management

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

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

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

AMMB Group Risk Direction

AMMB Group's financial year ("FY") 2025 to FY 2029 Strategy blueprint is to focus and reconstruct on 8 key areas, namely, (1) Path to Return on Equity ("ROE") of ≥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.

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

- AMMB Group aims to maintain a minimum ROCE of 12% and RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Rating Based ("FIRB").

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

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

4.0 General Risk Management (Cont'd.)

AMMB Group Risk Direction (Cont'd.)

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

- AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
  - Keep operational losses and regulatory penalties below 0.8% of Profit After Zakat and Taxation ("PAZT"); and
  - Remain vigilant in risk identification and management to protect its reputation and business franchise.

- AMMB Group aims for at least 70% of its non-retail loan/financing portfolio (applicable for limit at least RM 10 million) to constitute exposures with low ESG Risk Rating by FY 2030.

- AMMB 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 bank’s ultimate target of net zero, in line with the country aspiration by FY 2050.

Risk Management Governance

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

The Board has also established the Management Committees to assist in managing the risks and businesses of the Bank. The Management committees address all classes of risk within its Board delegated mandate: 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.)

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

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

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 Bank'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 AMMB Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of the AMMB Group's capital position; and
- ensure that the capital base supports the AMMB 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 AMMB Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP:

4.1.1 The AMMB Group shall maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the AMMB 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 AMMB Group, consistent with:

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

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

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 AMMB 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 AMMB Group complies with minimum regulatory standards.

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

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

4.1.5 Capital allocation:

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

4.1.6 Material Risks:

- The AMMB Group shall identify and assess the risk materiality on an annual basis;
- Risk assessments shall be conducted at bank-wide 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

Requirements of the Banks

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

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

Requirements of the Regulator

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

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

Internal Capital Adequacy Assessment Process

Board and Management Oversight	Sound Capital Assessment	Comprehensive Risk Assessment and Management Processes	Monitoring and Reporting	Internal Control & Review
• Material risks identified • Material thresholds • Group Risk Appetite • Sufficient Capital Adequacy • Targeted Financial Performance • Planned Asset Growth & Strategic business objectives • Policy/ Frameworks	• Identification, Measurement and Reporting of Material Risks • Compliance with minimum regulatory standards • Clear linkage between risks and capital • Capital Plan	• Credit Risk • Market Risk • Operational Risk • Rate Risk in the Banking Book • Credit Concentration Risk • Large exposure risk requirements	• Level and Trend of Material Risks • Sensitivity Analysis of key assumptions • Regulatory Reporting to Board and Senior Management	• Independent reviews of ICAAP (by internal audit) • Ongoing compliance monitoring • Stress Testing • Documented processes/ frameworks

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

Overview of ICAAP process and setting Internal Capital Targets

5.0 Credit Risk Management

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

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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/ or positions as well as Shariah compliance risk (please refer to 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 Risk Appetite Framework ("GRAF") and related credit policies.

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

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

5.0 Credit Risk Management (Cont'd.)

To support credit risk management, 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;
- financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Financing activities are guided by internal credit policies and GRAF that are approved by the Board 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 Bank's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

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

- Non-Retail Credit Policy ("NRCP") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") portfolios;

- Classified Account Management requirements are in place for the non-retail model related portfolio, this sets out the identification and management (including monitoring requirements) of customers that exhibit significant increase in credit risk or show symptoms of potential credit issues;

- Rescheduled and Restructured (“R&R”) Account Management (embedded within the NRCP for WB and BB, and RCP for RB) sets out the controls in managing R&R financing; and

- Setting Retail and SME risk controls capping for higher risk segment to ensure credit approval practice is aligned with the credit policies and GRAF.

5.0 Credit Risk Management (Cont'd.)

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

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

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

Table 5.0.1: Distribution of gross credit exposures by sector

The distribution of credit exposures by sector of the Bank 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the Standardised Approach:															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	5,295,115	-	-	-	-	-	5,295,115
Public sector entities	-	-	-	-	-	-	-		891	-		-	-	-	891
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,023,444	-	-	-	-	-	-	1,023,444
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	15	-	-	-	-	-	-	15
Corporates	271,645	24,737	49,325	-	1,169,334	25,458	473,108	3,029,143	-	66,683	130,996	21,299	6,291	-	5,268,019
Regulatory retail	48	27	5,861	-	42	291	20	-	-	-	1	16	4,477,491	-	4,483,797
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	72,654	-	72,654
Higher risk assets	-	-	37,881	-	-	-	-	-	-	-	-	-	-	-	37,881
Other assets	-	-	-	-	-	-	-		82,309	-	-	-	-	107,095	189,404
Equity exposures	-	-	12,676	-	-	-	-	-	-	-	-	-	-	-	12,676
Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-	5,751	-	5,751
Total on-balance sheet exposures	271,693	24,764	105,743	-	1,169,376	25,749	473,128	4,052,602	5,378,315	66,683	130,997	21,315	4,562,187	107,095	16,389,647
Off-balance sheet exposures															
OTC derivatives	-	-	-	-	-	-	-	121,115	-	-	-	-	-	-	121,115
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	2,036	95	21,115	11	487	16,005	5,020	177,100	-	42	1,092	85	106,321	-	329,409
Total off-balance sheet exposures	2,036	95	21,115	11	487	16,005	5,020	298,215	-	42	1,092	85	106,321	-	450,524
Total on and off-balance sheet exposures (Standardised Approach)	273,729	24,859	126,858	11	1,169,863	41,754	478,148	4,350,817	5,378,315	66,725	132,089	21,400	4,668,508	107,095	16,840,171

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

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

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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the IRB Approach:															
On-balance sheet exposures															
Corporates	**1,417,757**	**36,487**	**4,366,967**	**910,510**	**790,324**	**3,569,654**	**2,463,162**	**2,191,434**	**-**	**2,961,575**	**1,297,971**	**215,931**	**1,302**	**11,007**	**20,234,081**
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	1,259,991	13,558	2,698,680	502,257	385,304	2,105,263	1,232,772	1,983,446	-	1,349,659	840,429	84,037	-	-	12,455,396
(b) Corporate (with firm-size adjustment)	157,766	22,929	1,442,164	104,382	183,436	1,454,874	571,805	207,301	-	312,949	448,925	76,125	1,302	1,883	4,985,841
(c) Specialised Lending (Slotting Approach)	**-**	**-**	**226,123**	**303,871**	**221,584**	**9,517**	**658,585**	**687**	**-**	**1,298,967**	**8,617**	**55,769**	**-**	**9,124**	**2,792,844**
- Project Finance	-	-	221,056	260,518	174,362	-	240,024	-	-	-	5,079	-	-	-	901,039
- Object Finance	-	-	-	26,171	-	-	-	-	-	-	-	4,755	-	-	30,926
- Income Producing Real Estate	-	-	5,067	17,182	47,222	9,517	418,561	687	-	1,064,944	3,538	51,014	-	9,124	1,626,856
- High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	234,023	-	-	-	-	234,023
Retail Exposures	**5,156**	**3,948**	**91,318**	**2,626**	**39,613**	**187,171**	**48,552**	**1,518**	**-**	**17,276**	**61,465**	**10,063**	**19,872,303**	**1,597**	**20,342,606**
(a) Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	12,943,892	-	12,943,892
(b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	-	-	-	541,039	-	541,039
(c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	-	-	-	4,916,730	-	4,916,730
(d) Other Retail Exposures	5,156	3,948	91,318	2,626	39,613	187,171	48,552	1,518	-	17,276	61,465	10,063	1,470,642	1,597	1,940,945
Defaulted Exposures	546	710,344	18,332	839	51,773	99,279	9,871	81	-	19,684	7,707	1,078	414,606	2,636	1,336,776
Total on-balance sheet exposures	1,423,459	750,779	4,476,617	913,975	881,710	3,856,104	2,521,585	2,193,033	-	2,998,535	1,367,143	227,072	20,288,211	15,240	41,913,463
Off-balance sheet exposures															
OTC derivatives	-	-	11,595	1,459	67	1,246	779	-	-	-	2	-	-	-	15,148
Off-balance sheet exposures other than OTC derivatives or credit derivatives	98,072	38,839	1,845,962	144,172	1,195,468	981,946	957,893	87,768	-	304,393	207,220	45,572	1,652,165	1,381	7,560,851
Defaulted exposures	-	630	3,195	-	6,761	-	345	-	-	-	-	-	2,795	-	13,726
Total off-balance sheet exposures	98,072	39,469	1,860,752	145,631	1,202,296	983,192	959,017	87,768	-	304,393	207,222	45,572	1,654,960	1,381	7,589,725
Total on and off-balance sheet exposures (IRB Approach)	1,521,531	790,248	6,337,369	1,059,606	2,084,006	4,839,296	3,480,602	2,280,801	-	3,302,928	1,574,365	272,644	21,943,171	16,621	49,503,188
Total Standardised and IRB Approaches	**1,795,260**	**815,107**	**6,464,227**	**1,059,617**	**3,253,869**	**4,881,050**	**3,958,750**	**6,631,618**	**5,378,315**	**3,369,653**	**1,706,454**	**294,044**	**26,611,679**	**123,716**	**66,343,359**

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

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

31 March 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under the Standardised Approach:															
On-balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	5,537,976	-	-	-	-	-	5,537,976
Public sector entities	-	-	-	-	-	-	-	-	1,218	-	-	-	-	-	1,218
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,567,779	-	-	-	-	-	-	1,567,779
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	816	-	-	-	-	-	-	816
Corporates	1,713,095	881,388	4,392,565	963,727	2,054,605	3,216,282	2,970,156	5,465,043	-	2,536,690	1,577,875	439,600	38,680	10,830	26,260,536
Regulatory retail	6,383	3,794	112,301	2,624	43,495	192,546	51,577	2,964	-	16,229	55,226	11,980	15,062,995	1,283	15,563,397
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	9,569,121	-	9,569,121
Higher risk assets	-	-	37,469	-	-	-	-	-	-	-	-	-	280	-	37,749
Other assets	-	-	-	-	-	-	-	-	82,309	-	-	-	-	110,706	193,015
Equity exposures	-	-	12,740	-	-	-	-	-	-	-	-	-	-	-	12,740
Defaulted exposures	391	109,164	12,312	-	9,857	54,457	1,957	-	-	19,723	5,068	349	321,953	1,654	536,885
Total on-balance sheet exposures	1,719,869	994,346	4,567,387	966,351	2,107,957	3,463,285	3,023,690	7,036,602	5,621,503	2,572,642	1,638,169	451,929	24,993,029	124,473	59,281,232
Off-balance sheet exposures															
OTC derivatives	-	-	47,784	125	4	311	-	31,667	-	-	-	-	-	-	79,891
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	71,245	32,173	1,070,303	149,218	686,591	530,394	401,112	128,465	-	144,011	87,749	29,233	762,846	1,307	4,094,647
Defaulted exposures	-	630	3,195	-	4,904	-	-	-	-	109	-	-	6,081	-	14,919
Total off-balance sheet exposures	71,245	32,803	1,121,282	149,343	691,499	530,705	401,112	160,132	-	144,120	87,749	29,233	768,927	1,307	4,189,457
Total on and off-balance sheet exposures	**1,791,114**	**1,027,149**	**5,688,669**	**1,115,694**	**2,799,456**	**3,993,990**	**3,424,802**	**7,196,734**	**5,621,503**	**2,716,762**	**1,725,918**	**481,162**	**25,761,956**	**125,780**	**63,470,689**

Table 5.0.2: Geographical distribution of credit exposures

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

30 September 2024	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Exposures under the Standardised Approach:			
On-balance sheet exposures			
Sovereigns/Central banks	5,295,115	-	5,295,115
Public sector entities	891	-	891
Banks, DFIs and MDBs	963,333	60,111	1,023,444
Insurance companies, Securities firms and Fund managers	15	-	15
Corporates	5,268,019	-	5,268,019
Regulatory retail	4,483,797	-	4,483,797
Residential mortgages	72,654	-	72,654
Higher risk assets	37,881	-	37,881
Other assets	189,404	-	189,404
Equity exposures	12,676	-	12,676
Defaulted exposures	5,751	-	5,751
Total on-balance sheet expsoures	**16,329,536**	**60,111**	**16,389,647**
Off-balance sheet exposures			
OTC derivatives	121,115	-	121,115
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	329,409	-	329,409
Total off-balance sheet expsoures	**450,524**	**-**	**450,524**
Total on and off-balance sheet expsoures (Standardised Approach)	**16,780,060**	**60,111**	**16,840,171**
Exposures under the IRB Approach:			
On-balance sheet exposures			
Corporates	**20,234,081**	**-**	**20,234,081**
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	12,455,396	-	12,455,396
(b) Corporate (with firm-size adjustment)	4,985,841	-	4,985,841
(c) Specialised Lending (Slotting Approach)	**2,792,844**	**-**	**2,792,844**
- Project Finance	901,039	-	901,039
- Object Finance	30,926	-	30,926
- Income Producing Real Estate	1,626,856	-	1,626,856
- High Volatility Commercial Real Estate	234,023	-	234,023

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

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

30 September 2024	**In Malaysia**	**Outside Malaysia**	**Total**
	RM'000	**RM'000**	**RM'000**
Exposures under the IRB Approach: (Cont'd.)			
On-balance sheet exposures (Cont'd.)			
Retail Exposures	**20,342,606**	**-**	**20,342,606**
(a) Residential Mortgages	12,943,892	-	12,943,892
(b) Qualifying Revolving Retail Exposures	541,039	-	541,039
(c) Hire Purchase Exposures	4,916,730	-	4,916,730
(d) Other Retail Exposures	1,940,945	-	1,940,945
Defaulted Exposures	1,336,776	-	1,336,776
Total on-balance sheet exposures	**41,913,463**	-	**41,913,463**
Off-balance sheet exposures			
OTC derivatives	15,148	-	15,148
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	7,560,851	-	7,560,851
Defaulted exposures	13,726	-	13,726
Total off-balance sheet exposures	**7,589,725**	-	**7,589,725**
Total on and off-balance sheet expsoures (IRB Approach)	**49,503,188**	**-**	**49,503,188**
Total Standardised and IRB Approaches	**66,283,248**	**60,111**	**66,343,359**

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

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

31 March 2024	**In Malaysia**	**Outside Malaysia**	**Total**
	RM'000	**RM'000**	**RM'000**
Exposures under the Standardised Approach:			
On-balance sheet exposures			
Sovereigns/Central banks	5,537,976	-	5,537,976
Public sector entities	1,218	-	1,218
Banks, DFIs and MDBs	1,481,499	86,280	1,567,779
Insurance companies, Securities firms and Fund managers	816	-	816
Corporates	26,260,536	-	26,260,536
Regulatory retail	15,563,397	-	15,563,397
Residential mortgages	9,569,121	-	9,569,121
Higher risk assets	37,749	-	37,749
Other assets	193,015	-	193,015
Equity exposures	12,740	-	12,740
Defaulted exposures	536,885	-	536,885
Total on-balance sheet exposures	**59,194,952**	**86,280**	**59,281,232**
Off-balance sheet exposures			
OTC derivatives	79,891	-	79,891
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	4,094,647	-	4,094,647
Defaulted exposures	14,919	-	14,919
Total off-balance sheet expsoures	**4,189,457**	**-**	**4,189,457**
Total on and off-balance sheet expsoures	**63,384,409**	**86,280**	**63,470,689**

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

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

30 September 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	546,251	-	-	-	1,354,661	331,344	3,062,859	-	5,295,115
Public sector entities	-	-	-	63	828	-	-	-	891
Banks, DFIs and MDB	170,080	596,426	-	-	196,020	40,599	20,319	-	1,023,444
Insurance companies, Securities firms and Fund managers	-	-	-	15	-	-	-	-	15
Corporates	1,955,238	26,295	70,236	288,506	771,829	462,337	1,693,578	-	5,268,019
Regulatory retail	483	658	3,690	18,066	94,665	127,669	4,238,566	-	4,483,797
Residential mortgages	-	-	-	-	-	29	72,625	-	72,654
Higher risk assets	-	-	-	-	-	-	-	37,881	37,881
Other assets	82,309	-	-	-	-	-	-	107,095	189,404
Equity exposures	-	-	-	-	-	-	-	12,676	12,676
Defaulted exposures	88	-	20	493	1,056	1,033	3,061	-	5,751
Total on-balance sheet exposures	**2,754,449**	**623,379**	**73,946**	**307,143**	**2,419,059**	**963,011**	**9,091,008**	**157,652**	**16,389,647**
Off-balance sheet exposures									
OTC derivatives	49	14	7,731	-	-	113,321	-	-	121,115
Off-balance sheet exposures other than OTC derivatives or credit derivatives	64,265	221	113,255	55,059	200	1,218	95,191	-	329,409
Total off-balance sheet exposures	**64,314**	**235**	**120,986**	**55,059**	**200**	**114,539**	**95,191**	**-**	**450,524**
Total on and off-balance sheet expsoures (Standardised Approach)	**2,818,763**	**623,614**	**194,932**	**362,202**	**2,419,259**	**1,077,550**	**9,186,199**	**157,652**	**16,840,171**
Exposures under the IRB Approach:									
On-balance sheet exposures									
Corporates	**8,225,562**	**2,387,011**	**927,645**	**1,775,000**	**2,144,196**	**1,190,070**	**3,584,597**	**-**	**20,234,081**
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	6,019,226	1,705,975	473,885	754,017	1,507,783	758,977	1,235,533	-	12,455,396
(b) Corporate (with firm-size adjustment)	1,127,964	645,267	295,803	647,521	341,689	302,799	1,624,798	-	4,985,841
(c) Specialised Lending (Slotting Approach)	**1,078,372**	**35,769**	**157,957**	**373,462**	**294,724**	**128,294**	**724,266**	**-**	**2,792,844**
- Project Finance	309,814	-	131,719	238,140	20,378	10,295	190,693	-	901,039
- Object Finance	27,132	-	-	2,101	-	1,693	-	-	30,926
- Income Producing Real Estate	633,481	35,769	26,238	125,736	210,725	68,204	526,703	-	1,626,856
- High Volatility Commercial Real Estate	107,945	-	-	7,485	63,621	48,102	6,870	-	234,023

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

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

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: (Cont'd.)									
On-balance sheet exposures (Cont'd.)									
Retail Exposures	**18,490**	**22,702**	**22,235**	**618,703**	**260,475**	**706,073**	**18,693,928**	**-**	**20,342,606**
(a) Residential Mortgages	193	23	34	659	5,346	12,835	12,924,802	-	12,943,892
(b) Qualifying Revolving Retail Exposures	6,664	2,900	9,566	521,909	-	-	-	-	541,039
(c) Hire Purchase Exposures	1,540	1,562	5,451	16,603	176,331	585,340	4,129,903	-	4,916,730
(d) Other Retail Exposures	10,093	18,217	7,184	79,532	78,798	107,898	1,639,223	-	1,940,945
Defaulted Exposures	149,310	2,368	2,351	53,797	38,362	652,263	438,325	-	1,336,776
Total on-balance sheet exposures	**8,393,362**	**2,412,081**	**952,231**	**2,447,500**	**2,443,033**	**2,548,406**	**22,716,850**	**-**	**41,913,463**
Off-balance sheet exposures									
OTC derivatives	2,201	2,427	2,315	918	7,287	-	-	-	15,148
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	1,195,555	644,924	1,406,408	3,785,157	62	90	528,655	-	7,560,851
Defaulted exposures	8,880	-	56	4,164	-	626	-	-	13,726
Total off-balance sheet exposures	**1,206,636**	**647,351**	**1,408,779**	**3,790,239**	**7,349**	**716**	**528,655**	**-**	**7,589,725**
Total on and off-balance sheet expsoures (IRB Approach)	**9,599,998**	**3,059,432**	**2,361,010**	**6,237,739**	**2,450,382**	**2,549,122**	**23,245,505**	**-**	**49,503,188**
Total Standardised and IRB Approaches	**12,418,761**	**3,683,046**	**2,555,942**	**6,599,941**	**4,869,641**	**3,626,672**	**32,431,704**	**157,652**	**66,343,359**

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

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

31 March 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
On-Balance Sheet Exposures									
Sovereigns/Central banks	689,077	10,175	70,543	71,320	1,393,070	227,696	3,076,095	-	5,537,976
Public sector entities	-	-	-	-	1,218	-	-	-	1,218
Banks, DFIs and MDB	1,319,765	-	-	10,093	171,911	40,607	25,403	-	1,567,779
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	816	-	816
Corporates	10,595,994	2,618,684	1,658,860	1,600,554	2,885,153	1,525,003	5,376,288	-	26,260,536
Regulatory retail	38,049	24,799	30,797	636,444	389,294	748,653	13,695,361	-	15,563,397
Residential mortgages	150	12	101	448	5,527	12,258	9,550,625	-	9,569,121
Higher risk assets	-	-	-	-	-	-	280	37,469	37,749
Other assets	82,309	-	-	-	-	-	-	110,706	193,015
Equity exposures	-	-	-	-	-	-	-	12,740	12,740
Defaulted exposures	63,823	742	737	20,001	33,897	86,578	331,107	-	536,885
Total on-balance sheet exposures	12,789,167	2,654,412	1,761,038	2,338,860	4,880,070	2,640,795	32,055,975	160,915	59,281,232
Off-balance sheet exposures									
OTC derivatives	365	1,695	20,691	19,754	-	37,386	-	-	79,891
Off-balance sheet exposures other than OTC derivatives or credit derivatives	664,592	323,649	275,631	2,394,813	54,809	303	380,850	-	4,094,647
Defaulted exposures	4,296	-	255	4,288	-	203	5,877	-	14,919
Total off-balance sheet exposures	669,253	325,344	296,577	2,418,855	54,809	37,892	386,727	-	4,189,457
Total on and off-balance sheet exposures	**13,458,420**	**2,979,756**	**2,057,615**	**4,757,715**	**4,934,879**	**2,678,687**	**32,442,702**	**160,915**	**63,470,689**

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 profit 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 AMMB Group Provisioning Methodology

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

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

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

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

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

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

5.1 Impairment (Cont'd.)

5.1.1 AMMB Group Provisioning Methodology (Cont'd.)

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

Change in credit quality since initial recognition

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

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

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

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

The impaired and past due financing, impairment allowances, charges for individual impairment allowances and write offs during the year by sector of the Bank are 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 Hotel and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	453	33,627	13,651	834	48,597	90,228	6,822	79	19,682	6,478	369	410,858	**631,678**
Past due but not impaired financing	560	5,445	11,111	3,150	11,503	240,424	7,344	169	61,766	10,371	535	2,782,441	**3,134,819**
Allowances for expected credit loss													
-Individual allowances	-	646	7,452	-	32,864	23,891	1,947	-	384	1,299	-	-	**68,483**
-Collective allowances	5,302	511	24,286	1,415	3,541	48,597	3,791	3,613	38,934	11,806	753	400,776	**543,325**
Charges/(writeback) for individual allowances	-	-	148	-	26,384	3,849	(292)	-	(25)	1,986	(18)	-	**32,032**
Write-offs against individual allowances	-	-	1,379	-	2,212	25,613	-	-	-	2,886	-	-	**32,090**

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 Hotel and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	392	33,680	20,729	226	53,911	102,652	4,136	-	20,132	8,071	366	410,939	**655,234**
Past due but not impaired financing	72,057	497	27,427	5,404	8,474	154,749	13,670	93	107,576	8,298	3,465	2,523,993	**2,925,703**
Allowances for expected credit loss													
-Individual allowances	-	646	8,683	-	8,692	45,655	2,239	-	409	2,200	18	-	**68,542**
-Collective allowances	5,195	1,884	67,590	1,558	44,919	19,373	124,856	15,216	7,725	4,541	1,410	280,394	**574,661**
Charges for individual allowances	-	2,859	8,259	-	8,050	43,818	2,438	-	409	2,200	48	-	**68,081**
Write-offs against individual allowances	-	3,453	23,689	-	11,478	35,182	1,264	-	-	-	706	-	**75,772**

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

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

30 September 2024	Total RM'000
Impaired financing	631,678
Past due but not impaired financing	3,134,819
Individual allowances	68,483
Collective allowances	543,325

31 March 2024	Total RM'000
Impaired financing	655,234
Past due but not impaired financing	2,925,703
Individual allowances	68,542
Collective allowances	574,661

Table 5.1.4: Reconciliation of changes to financing impairment allowances

The disclosure on reconciliation of financing loss allowances can be found in Note A12(j) of the financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

30 September 2024	(Charge off)/Recoveries RM'000
Individual allowance written off during the financial period	(5,990)
Individual allowance recoveries during the financial period	50,963

31 March 2024	(Charge off)/Recoveries RM'000
Individual allowance written off during the financial year	(14,239)
Individual allowance recoveries during the financial year	121,081

5.2 Credit Risk Exposure under the IRB Approach

Adoption of IRB Basel II

The Bank 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.

For RWA computation of retail portfolios, the Bank adopts the AIRB Approach using own internal estimates of PD, LGD and EAD. For non-retail portfolios, the Bank 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:

Probability of Default (PD)
This measures the likelihood that a borrower defaults on its credit obligation over a period of one year.

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.

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 segmentated by Application Scorecard ("Ascore") and Behavioral 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 Foundation Internal Rating Based Approach (FIRB) for capital computation allows the Bank 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 Bank adopts Supervisory Slotting Criteria approach with supervisory prescribed risk weights.

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

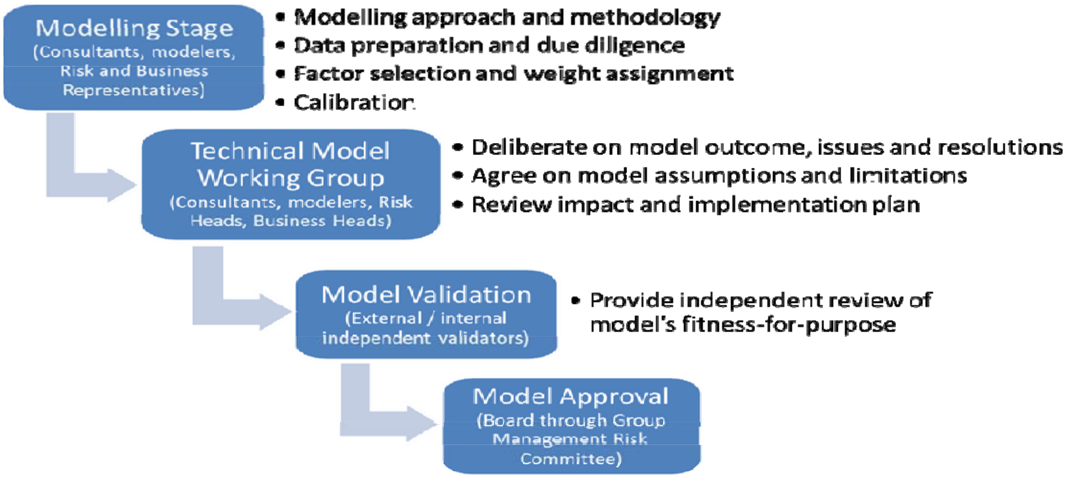
Model Risk Management

To ensure a robust model risk management, the Bank 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 modeling 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 and provides value-added assurance to assist the Board in the discharge of its oversight responsibilities.

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

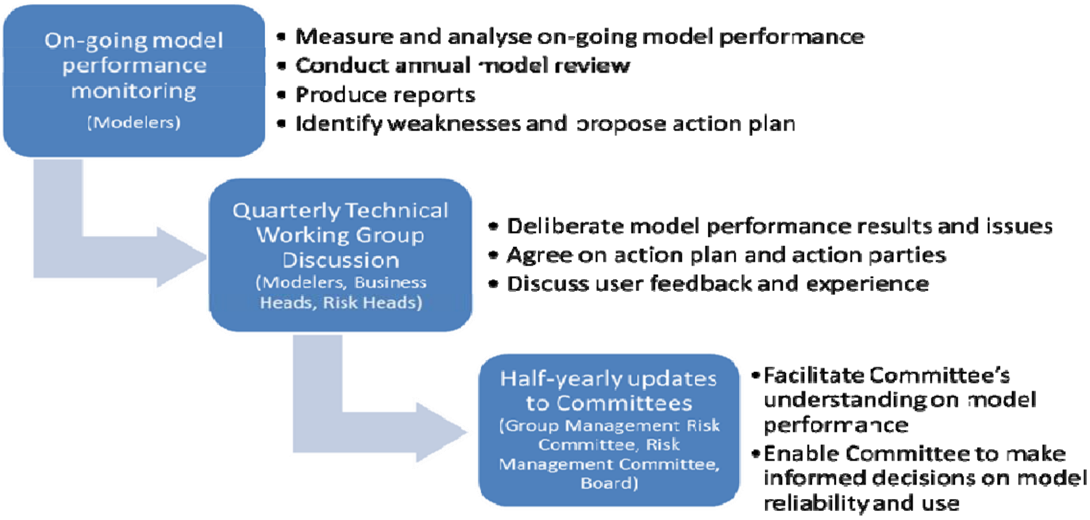


Subsequent to model implementation, the performance of the models is monitored regularly by the modeling team; deliberated at the Technical Working Group; and reported to Group Management Risk Committee, Risk Management Committee and the Board for oversight.

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

Model Risk Management (Cont'd.)

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



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

1) Technical Working Group which comprises representatives from both risk and business; and
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.)

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 Bank.

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 the bank:

1) **Credit underwriting approval**
   All 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 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.

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

Use of Internal Models (Cont'd.)

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 the bank: (Cont'd.)

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 financing pricing. Setting minimum hurdle rate for retail portfolio and ROCE for individual wholesale 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.

5.2.1 RETAIL PORTFOLIO

<u>Retail PD models</u>
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.

<u>Retail LGD models</u>
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.

<u>Retail EAD models</u>
For on-balance sheet exposures (e.g. term financing or mortgage 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 Exposure by PD Band (IRB Approach) for Retail of the Bank 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	8,118,215	18.21	0.14	11,829	1,096,561
0.5943 - 1.0159	1,761,537	17.37	0.22	1,884	381,340
1.0160 - 2.2722	915,395	18.12	0.38	909	347,111
2.2723 - 4.1028	663,093	18.11	0.51	1,255	337,234
4.1029 - 8.2931	3,460	16.99	0.61	-	2,108
8.2932 - 99.9999	1,498,977	18.33	0.79	909	1,185,535
Default or 100	336,376	18.03	0.49	-	166,253
Total Residential Mortgages	13,297,053			16,786	3,516,142
Qualifying Revolving Retail Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	403,950	86.94	0.14	370,740	57,948
0.5943 - 1.0159	579,060	84.65	0.30	515,420	171,714
1.0160 - 2.2722	240,609	82.11	0.50	119,864	119,158
2.2723 - 4.1028	226,841	83.06	0.80	77,775	180,704
4.1029 - 8.2931	124,121	77.41	1.07	26,956	133,317
8.2932 - 99.9999	93,057	65.75	1.58	15,845	147,270
Default or 100	7,008	66.97	3.67	2,168	25,714
Total Qualifying Revolving Retail Exposures	1,674,646			1,128,768	835,825
Hire Purchase Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	3,464,680	35.59	0.22	-	760,572
0.5943 - 1.0159	43,903	35.43	0.33	-	14,363
1.0160 - 2.2722	687,312	36.11	0.40	-	275,479
2.2723 - 4.1028	255,659	36.18	0.52	-	132,050
4.1029 - 8.2931	193,276	36.06	0.54	-	105,207
8.2932 - 99.9999	271,899	36.53	0.78	-	212,042
Default or 100	26,394	37.14	1.16	-	30,717
Total Hire Purchase Exposures	4,943,123			-	1,530,430
Other Retail Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	1,380,672	20.24	0.14	377,131	189,502
0.5943 - 1.0159	420,303	22.24	0.22	67,441	90,385
1.0160 - 2.2722	171,173	24.62	0.32	35,181	55,131
2.2723 - 4.1028	145,374	24.87	0.35	21,738	50,744
4.1029 - 8.2931	192,635	33.15	0.43	600	83,698
8.2932 - 99.9999	225,314	22.76	0.39	28,077	87,946
Default or 100	81,197	23.91	0.97	626	78,614
Total Other Retail Exposures	2,616,668			530,794	636,020
Total Retail Exposures	22,531,490			1,676,348	6,518,417

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

The disclosure on Exposure by Expected Loss Range Band (IRB Approach) for Retail of the Bank 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	1,422,320	14.82	0.10	521	141,262
0.0738 - 0.5942	9,495,971	18.49	0.18	14,188	1,731,482
0.5943 - 1.0159	540,420	18.95	0.53	1,168	287,269
1.0160 - 2.2722	222,765	15.49	0.75	84	166,019
2.2723 - 4.1028	423,429	19.57	0.96	433	405,403
4.1029 - 8.2931	208,702	15.51	0.88	-	184,404
8.2932 - 99.9999	982,518	19.04	0.61	392	600,303
Default or 100	928	16.90	-	-	-
Total Residential Mortgages	13,297,053			16,786	3,516,142
Qualifying Revolving Retail Exposures					
0.0001 - 0.0737	5	33.19	4.14	5	21
0.0738 - 0.5942	493,556	82.20	0.17	435,983	85,683
0.5943 - 1.0159	513,731	87.09	0.31	468,544	161,115
1.0160 - 2.2722	242,696	81.95	0.53	116,162	128,310
2.2723 - 4.1028	241,801	82.50	0.83	77,649	199,665
4.1029 - 8.2931	115,353	79.98	1.23	20,237	141,690
8.2932 - 99.9999	67,120	67.70	1.78	9,804	119,341
Default or 100	384	39.06	-	384	-
Total Qualifying Revolving Retail Exposures	1,674,646			1,128,768	835,825
Hire Purchase Exposures					
0.0001 - 0.0737	-	-	-	-	-
0.0738 - 0.5942	4,018,182	35.63	0.24	-	966,068
0.5943 - 1.0159	185,627	36.56	0.47	-	88,088
1.0160 - 2.2722	375,477	36.16	0.52	-	196,438
2.2723 - 4.1028	66,741	36.11	0.57	-	37,792
4.1029 - 8.2931	132,175	36.21	0.71	-	94,405
8.2932 - 99.9999	164,921	36.90	0.90	-	147,639
Total Hire Purchase Exposures	4,943,123			-	1,530,430
Other Retail Exposures					
0.0001 - 0.0737	149,968	14.49	0.09	4,078	13,815
0.0738 - 0.5942	1,796,657	21.09	0.17	475,726	302,721
0.5943 - 1.0159	139,890	26.26	0.36	21,383	50,247
1.0160 - 2.2722	230,265	31.87	0.42	1,236	97,334
2.2723 - 4.1028	93,153	27.06	0.45	15,096	42,291
4.1029 - 8.2931	38,116	25.55	1.03	664	39,231
8.2932 - 99.9999	160,309	23.79	0.56	12,611	90,381
Default or 100	8,310	24.40	-	-	-
Total Other Retail Exposures	2,616,668			530,794	636,020
Total Retail Exposures	22,531,490			1,676,348	6,518,417

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

5.2.2 NON-RETAIL PD MODEL

PDs for wholesale customers are generated by wholesale models differentiated by turnover size, specialized lending segments, contracting business and real estate activities. The methods used to develop models for risk quantification are summarized 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 years 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. specialized 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.

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

5.2.2 NON RETAIL PORTFOLIO (CONT'D.)

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

Equity Exposures (Banking Book) are disclosed under the Standardised Approach under Section 10.

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

The disclosure on Exposure 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	1,175,136	44.99	0.15	187,500	170,718
0.0738 - 0.5942	8,138,851	41.75	0.47	1,200,075	3,802,385
0.5943 - 1.0159	3,291,872	39.93	0.76	356,201	2,490,012
1.0160 - 2.2722	1,864,548	40.47	0.95	283,898	1,770,090
2.2723 - 4.1028	687,768	37.12	1.02	160,229	698,122
4.1029 - 8.2931	517,932	41.42	1.52	14,642	789,738
8.2932 - 99.9999	356,487	42.86	2.29	11,733	816,117
Default or 100	773,850	44.22	-	-	-
Total Corporate (excluding Specialised Lending and firm-size adjustment)	16,806,444			2,214,278	10,537,182
Corporate (with firm-size adjustment)					
0.0001 - 0.0737	5,947	45.00	0.15	-	919
0.0738 - 0.5942	1,824,761	38.25	0.40	273,195	725,853
0.5943 - 1.0159	881,374	32.66	0.50	204,816	440,765
1.0160 - 2.2722	1,945,010	36.72	0.69	266,061	1,347,546
2.2723 - 4.1028	1,074,499	36.86	0.85	81,971	913,910
4.1029 - 8.2931	443,362	34.91	0.89	23,500	393,567
8.2932 - 99.9999	321,050	37.12	1.44	6,526	463,445
Default or 100	106,474	41.69	-	-	-
Total Corporate (with firm-size adjustment)	6,602,477			856,069	4,286,005
Total Non-Retail Exposures (excluding Specialised Lending (Slotting Approach)	23,408,921			3,070,347	14,823,187

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	760,365	599,060	96,356	-	-	1,455,781
Object Finance	26,171	-	6,301	-	-	32,472
Income Producing Real Estate	273,777	1,040,321	460,911	34,057	19,204	1,828,270
Risk-Weighted Assets	**530,157**	**1,220,253**	**648,102**	**85,143**	**-**	**2,483,655**

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	-	108,496	55,698	82,061	-	126,706
Risk-Weighted Assets	**-**	**130,196**	**77,977**	**205,151**	**-**	**413,324**

5.3 Credit Risk Mitigation

COLLATERAL AND OTHER CREDIT ENHANCEMENT

Collateral taken by the Bank

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

The Bank can only accept Shariah-approved assets as collateral. Notwithstanding, for specific products, a collateral that becomes non-Shariah compliant during the tenure of financing may continue to be maintained as collateral.

The Credit Risk Mitigation Policy is the internally recognised collateral framework for AMMB Group. Any collateral that does not conform to the requirements outlined in that policy may be considered by the relevant approval authority to be accepted and approved as an exception. For capital relief purposes, 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 Bank has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for financing proposals is an integral component in transaction structuring for the Bank. 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 substitued, 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 Bank 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.

5.3 Credit Risk Mitigation (Cont'd.)

COLLATERAL AND OTHER CREDIT ENHANCEMENT (CONT'D.)

Use of Credit Derivatives and Netting for Risk Mitigation

Currently, the Bank 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 financing, amortisation schedules and financing covenants. These assist in managing credit risk and providing early warning signals, to enable pre-emptive actions to protect the quality or recoverability of financing assets.

Concentrations of Credit Risk Mitigation

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

Table 5.3.1a: Credit Risk Mitigation

The total exposures and eligible guarantees and collateral of the Bank under the Standardised 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**
Credit Risk			
Exposure under Standardised Approach:			
On-balance sheet exposures			
Sovereigns/Central banks	5,295,115	-	-
PSEs	891	-	-
Banks, DFIs and MDBs	1,023,444	-	-
Insurance companies, Securities firms and Fund managers	15	-	-
Corporates	5,268,019	1,500,108	18,353
Regulatory retail	4,483,797	873	2,456,836
Residential mortgages	72,654	-	-
Higher risk assets	37,881	-	-
Other assets	189,404	-	-
Equity exposures	12,676	-	-
Defaulted exposures	5,751	-	29
Total on-balance sheet exposures	16,389,647	1,500,981	2,475,218
Off-balance sheet exposures			
OTC derivatives	121,115	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	329,409	100,969	60,104
Total off-balance sheet exposures	450,524	100,969	60,104
Total on and off-balance sheet exposures	**16,840,171**	**1,601,950**	**2,535,322**

Exposures **31 March 2024**	**Exposures before CRM** **RM'000**	**Exposures covered by guarantees** **RM'000**	**Exposures covered by Eligible Financial Collateral** **RM'000**
Credit Risk			
Exposure under Standardised Approach:			
On-balance sheet exposures			
Sovereigns/Central banks	5,537,976	-	-
PSEs	1,218	-	-
Banks, DFIs and MDBs	1,567,779	-	-
Insurance companies, Securities firms and Fund managers	816	-	-
Corporates	26,260,536	3,156,736	1,500,322
Regulatory retail	15,563,397	175,490	3,528,409
Residential mortgages	9,569,121	-	-
Higher risk assets	37,749	-	-
Other assets	193,015	-	-
Equity exposures	12,740	-	-
Defaulted exposures	536,885	20,215	7,909
Total on-balance sheet exposures	59,281,232	3,352,441	5,036,640
Off-balance sheet exposures			
OTC derivatives	79,891	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,094,647	347,479	1,613,539
Defaulted exposures	14,919	-	630
Total off-balance sheet exposures	4,189,457	347,479	1,614,169
Total on and off-balance sheet exposures	**63,470,689**	**3,699,920**	**6,650,809**

Table 5.3.1b: Credit Risk Mitigation

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

30 September 2024 Exposures	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				
Exposure under IRB Approach:				
On-balance sheet exposures				
Corporates	**20,234,081**	**344,233**	**464,293**	**4,009,244**
(a) Corporate (excluding Specialised Lending and firm-size adjustment)	12,455,396	74,277	293,679	2,387,948
(b) Corporate (with firm-size adjustment)	4,985,841	269,956	170,614	1,621,296
(c) Specialised Lending (Slotting Approach)	**2,792,844**	**-**	**-**	**-**
- Project Finance	901,039	-	-	-
- Object Finance	30,926	-	-	-
- Income Producing Real Estate	1,626,856	-	-	-
- High Volatility Commercial Real Estate	234,023	-	-	-
Retail Exposures	**20,342,606**	**54,340**	**-**	**-**
(a) Residential Mortgages	12,943,892	-	-	-
(b) Qualifying Revolving Retail Exposures	541,039	-	-	-
(c) Hire Purchase Exposures	4,916,730	-	-	-
(d) Other Retail Exposures	1,940,945	54,340	-	-
Defaulted Exposures	1,336,776	-	4,163	138,856
Total on-balance sheet exposures	41,913,463	398,573	468,456	4,148,100
Off-balance sheet exposures				
OTC derivatives	15,148	-	-	-
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	7,560,851	60,130	1,278,175	553,677
Defaulted exposures	13,726	-	976	-
Total off-balance sheet exposures	7,589,725	60,130	1,279,151	553,677
Total on and off-balance sheet exposures	49,503,188	458,703	1,747,607	4,701,777

5.4 Credit Risk Exposure under the Standardised Approach

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

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

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

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

30 September 2024

Risk Weights	Exposures after Netting and Credit Risk Mitigation											
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	5,358,753	-	40,445	-	4,042,913	873	-	-	82,309	-	9,525,293	-
20%	-	8,625	985,498	-	789,628	-	-	-	-	-	1,783,751	356,750
35%	-	-	-	-	-	-	53,579	-	-	-	53,579	18,753
50%	-	-	122,598	-	-	5,276	30,367	-	-	-	158,241	79,120
75%	-	-	-	-	-	1,085,924	-	-	-	-	1,085,924	814,443
100%	-	-	-	15	522,820	1,017,157	-	-	107,095	12,676	1,659,763	1,659,763
150%	-	-	-	-	-	416	-	37,881	-	-	38,297	57,445
Total	5,358,753	8,625	1,148,541	15	5,355,361	2,109,646	83,946	37,881	189,404	12,676	14,304,848	2,986,274

Table 5.4.1: Credit exposures by risk weights under the Standardised Approach (Cont'd.)

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

31 March 2024

Risk Weights	Exposures after Netting and Credit Risk Mitigation											
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	5,537,976	-	40,496	-	5,942,394	134,612	-	-	82,309	-	11,737,787	-
20%	-	18,004	1,532,743	-	2,855,190	53,115	-	-	-	-	4,459,052	891,810
35%	-	-	-	-	-	-	5,857,513	-	-	-	5,857,513	2,050,130
50%	-	-	20,484	-	113,753	9,081	3,806,808	-	-	-	3,950,126	1,975,063
75%	-	-	-	-	-	9,053,716	-	-	-	-	9,053,716	6,790,287
100%	-	-	-	815	18,989,791	4,295,494	98,952	-	110,707	12,740	23,508,499	23,508,499
150%	-	-	-	-	49,795	80,726	-	38,229	-	-	168,750	253,125
Total	5,537,976	18,004	1,593,723	815	27,950,923	13,626,744	9,763,273	38,229	193,016	12,740	58,735,443	35,468,914

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	Unrated
	Fitch	AAA to AA-	Unrated
	RAM	AAA to AA3	Unrated
	MARC	AAA to AA-	Unrated
	Total		
Exposure Class	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	8,661	-	8,661
Insurance Companies, Securities Firms and Fund managers	15	-	15
Corporates	5,421,838	789,628	4,632,210
Total	**5,430,514**	**789,628**	**4,640,886**

31 March 2024

		Ratings of Corporate by Approved ECAIs	
	Moody's	Aaa to Aa3	Unrated
	Fitch	AAA to AA·	Unrated
	RAM	AAA to AA3	Unrated
	MARC	AAA to AA·	Unrated
	Total		
Exposure Class	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	18,004	-	18,004
Insurance Companies, Securities Firms and Fund managers	816	-	816
Corporates	29,576,138	3,448,473	26,127,665
Total	**29,594,958**	**3,448,473**	**26,146,485**

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

30 September 2024

		Short term Ratings of Corporate by Approved ECAIs
	Moodys	P-1
	Fitch	F1+ F1
	RAM	P-1
	MARC	MARC-1
Exposure Class	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures		
Rated Credit Exposures		
Corporates	-	-
Total	**-**	**-**

31 March 2024

		Short term Ratings of Corporate by Approved ECAIs
	Moodys	P-1
	Fitch	F1+ F1
	RAM	P-1
	MARC	MARC-1
Exposure Class	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures		
Rated Credit Exposures		
Corporates	173,584	173,584
Total	**173,584**	**173,584**

Table 5.4.2 Rated Exposures according to Ratings by ECAIs (Cont'd)

30 September 2024

Exposure Class	Total	Ratings of Sovereigns and Central Banks by Approved ECAIs
	Moody's	Baa1 to Ba3
	Fitch	BBB+ to BB-
	RAM	BBB1 to BB3
	MARC	BBB+ to BB-
	RM'000	RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	5,358,753	5,358,753
Total	**5,358,753**	**5,358,753**

31 March 2024

Exposure Class	Total	Ratings of Sovereigns and Central Banks by Approved ECAIs
	Moody's	Baa1 to Ba3
	Fitch	BBB+ to BB-
	RAM	BBB1 to BB3
	MARC	BBB+ to BB-
	RM'000	RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	5,537,976	5,537,976
Total	**5,537,976**	**5,537,976**

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

30 September 2024

		Ratings of Banking Institutions by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Total				
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,148,541	281,252	113,772	-	753,517
Total	**1,148,541**	**281,252**	**113,772**	**-**	753,517

31 March 2024

		Ratings of Banking Institutions by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	Unrated
	Total				
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Banks, DFIs and MDBs	1,593,723	277,951	1,309,332	6,440	-
Total	**1,593,723**	**277,951**	**1,309,332**	**6,440**	-

6.0 Off Balance Sheet Exposures and Counterparty Credit Risk

6.1 Off Balance Sheet exposures

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

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

- Derivative financial instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), profit rate related contracts (profit rate swaps), equity related contracts (option and futures) and commodity related contract (option).

- 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 Bank's exposure. The market-related credit risk covered by this treatment for transactions entered by the Bank include 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.

6.2 Counterparty Credit Risk (Cont'd.)

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, that is in the money, the Bank has credit exposure against the counterparty; if it is negative, that is 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, that is 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 Bank’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 Bank 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 Bank are as follows:

30 September 2024

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	307,724		307,724	137,854
Transaction related contingent items	1,486,900		743,450	425,618
Short term self liquidating trade related contingencies	82,383		16,793	13,830
Forward asset purchases	103,708		9,100	4,550
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	800,000		63,638	-
Foreign exchange related contracts	128,804	6,921	7,436	6,741
One year or less	128,804	6,921	7,436	6,741
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	1,988,618	98,662	128,827	64,926
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	718,446		616,572	153,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,705,906		5,015,299	2,335,130
Unutilised credit card lines	1,589,495		1,131,410	390,509
Total	13,911,984	105,583	8,040,249	3,533,018

31 March 2024

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	262,092		261,715	215,556
Transaction related contingent items	1,653,847		825,225	701,964
Short term self liquidating trade related contingencies	97,000		19,400	18,077
Forward asset purchases	213,211		8,665	2,755
Foreign exchange related contracts	153,690	1,025	2,428	2,428
One year or less	153,690	1,025	2,428	2,428
Other commodity contracts	80,115	2,411	6,440	3,220
One year or less	80,115	2,411	6,440	3,220
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,013,379	38,481	71,023	54,685
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	888,936		444,468	331,548
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,371,330		2,230,640	641,817
Unutilised credit card lines	1,597,265		319,453	238,338
Total	14,330,865	41,917	4,189,457	2,210,388

6.4 Credit Derivatives Counterparty Credit Risk ("CCR")

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

7.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2024 and financial year ended 31 March 2024.

8.0 Operational Risk

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

Identification	• Identify and analyse risk in key processes/activities within Business and Functional Lines (including new products) • Review of past operational losses and incidences data • Regulator's and Auditor's review and feedback
Assessment/ Measurement	• Risk and Control Self Assessment ("RCSA") • The inherent and residual risks are assessed based on the probability and impact of activity undertaken
Control/ Mitigation	Several Operational Risk Management tools are used to mitigate the risk identified: • Incident Management and Data Collection ("IMDC") • Key Risk Indicators ("KRI") • Key Control Testing ("KCT") • Root cause analysis • Scenario Analysis • Insurance Programme
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and operational risk framework adherence • Challenging the periodical review or updating of the RCSA (risk profile)/KRIs/KCTs of all Line of Business and Entity • Trigger by adverse change in circumstances (trigger event review) • Change management process review

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes, but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah compliance risk (Please refer to Chapter 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 Bank is willing to accept, taking into consideration of the relevant financial and non-financial risk or return attributes in order to support the achievement of the Bank's strategic plan and business objectives. The ORA statements and measurements are classified based on operational loss event types, which are grouped into five (5) categories as below and monitored via IMDC, KRI and KCT:

8.0 Operational Risk (Cont'd.)

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

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

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

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

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

- The IMDC module provides a common platform for reporting operational risk incident that falls within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to future operational risks and estimate the amount of economic capital charge.

- The RCSA is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the AMMB Group.

- The KRI module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

8.0 Operational Risk (Cont'd.)

- The KCT is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.

- Root cause analysis is conducted by the Operational Risk Relationship Managers within Group Operational Risk to prevent recurrence of operational risk incidents.

- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMC 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	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	• Business Impact Analysis ("BIA") • Risk Assessment • Climate - related Operational Risk Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") Plan
Monitoring/ Review	• 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 AMMB Group's operations and the identification of critical functions through BIA exercise for the development of recovery strategy. BCM builds the resilience and recovery capability to safeguard the interest of the AMMB Group's stakeholders by protecting our brand and reputation.

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

8.1 Business Continuity Management (Cont'd.)

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

The AMMB Group integrates climate-related operational risk into its BCM programs and activities to ensure the continuity of its Critical Business Functions ("CBF") and Third Party Service Providers ("TPSP") in the face of climate related events. The integration shall include an objective risk assessment from credible external parties that evaluates the climate-related risk vulnerabilities of CBFs and TPSPs.

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

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

The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed. The Group's technology risk management capabilities include oversight over infrastructure security risk, data leakage risk, application security risk and third party security risk.

Group Technology Risk works closely with all Business and Functional Lines to identify cyber risks inherent in the respective business activities, impact assessment and ensuring remedial actions are in place to mitigate risks accordingly. Various tools and methods are employed (similar to Operation Risk tools) to support the execution of these assessments. Progressive tracking and advisory are performed in parallel to execute an effective security program to combine maturity-based and risk-based programs towards proactive cyber security.

8.3 Legal Risk

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

8.3 Legal Risk (Cont'd.)

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

AMMB Group has zero tolerance for any form of regulatory breaches (including bribery or corruption and Shariah non-compliance events). AMMB 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.

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

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

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

The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. The AMMB 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.

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

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 profit rates, credit spreads, equity prices and foreign exchange rates. The Bank differentiates between two categories of market risk: Traded Market Risk (“TMR”) and Non-Traded Market Risk (“NTMR”). Assessment, control and monitoring of these risks are the responsibilities of Investment Banking and Markets Risk (“IBMR”).

9.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.

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

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

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

9.1 Traded Market Risk ("TMR")(Cont'd.)

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

Apart from VaR, Loss Limits and HSL, additional sensitivity controls (e.g. 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 TMR are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

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

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

9.2 Non-Traded Market Risk ("NTMR")

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

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

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

Identification	• Identify RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• Present Value of One Basis Point ("PV01") • Earnings-at-Risk ("EaR") • ICAAP RORBB Economic Value of Equity ("EVE") • ICAAP RORBB EaR
Control/ Mitigation	• PV01 triggers • EaR triggers • ICAAP RORBB EVE / Total Capital trigger • ICAAP RORBB EaR / Total Net Profit Income ("NPI") trigger
Monitoring/ Review	• Monitor controls • Periodical review and reporting

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

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

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

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

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

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

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

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

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

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

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

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

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

Table 9.3: Rate of Return Risk in Banking Book ("RORBB")

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

30 September 2024	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	36,126	(36,126)
Impact on equity	(622,101)	691,258

31 March 2024	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	(2,307)	2,307
Impact on equity	(655,448)	726,048

10.0 Equities (Banking Book Positions)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Bank’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 Bank 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 Bank are as follows:

Non traded equity investments	30 September 2024 RM'000	31 March 2024 RM'000
Value of quoted (publicly traded) equities	12,676	12,740
Value of unquoted (privately held) equities	37,881	37,469
Total	**50,557**	**50,209**
Net realised and unrealised gains/(losses)		
Total unrealised losses	426	(3,154)
Total	**426**	**(3,154)**
Risk weighted assets		
Equity investments subject to a 100% risk weight	12,676	12,740
Equity investments subject to a 150% risk weight	56,822	56,204
Total	**69,498**	**68,944**
Total minimum capital requirement (8%)	**5,560**	**5,515**

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 financing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding risk management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

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

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

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

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 Bank.

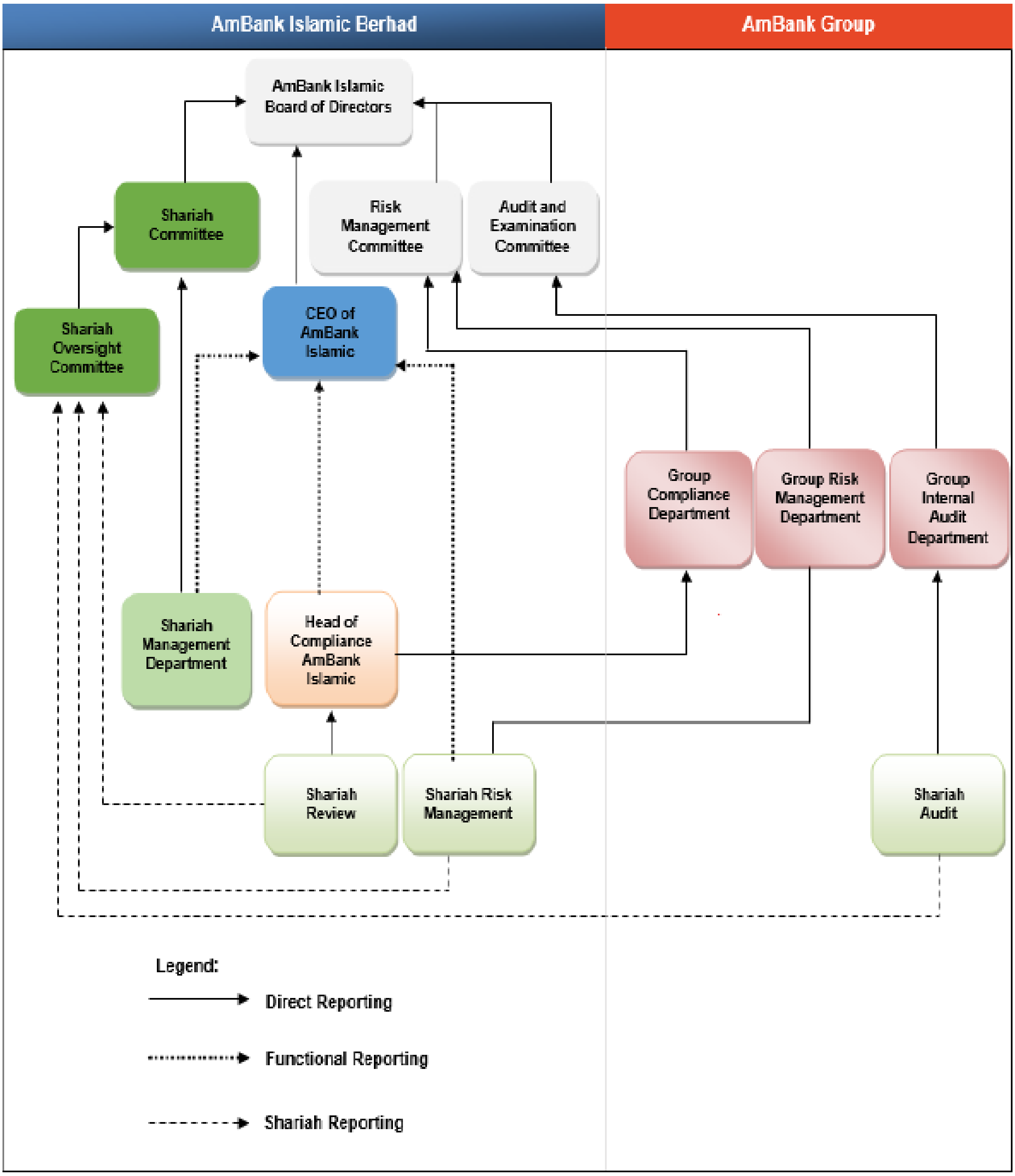
11.0 Liquidity Risk and Funding Management (Cont'd.)

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

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

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

12.0 Shariah Governance Structure



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

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

12.0 Shariah Governance Structure (Cont'd.)

Board of Directors

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

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

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

Shariah Committee ("ShC")

The Shariah Committee ("ShC") is responsible on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing products and services, Shariah policies and the relevant documentation in relation to the Bank's business and operations. In addition to endorsing the zakat computation mechanism and the proposed recipients for zakat distribution, the Shariah Committee provides advice and guidance on the management of the zakat fund, charity and other social programmes or activities.

12.0 Shariah Governance Structure (Cont'd.)

Shariah Oversight Committee

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

Senior Management

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

Shariah Management Department

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

Shariah Risk Management

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

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

12.0 Shariah Governance Structure (Cont'd.)

Shariah Review

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

The Shariah Review Section also acts as the Shariah Non-Compliance Officer ("SNCO") of the Bank. The SNCO is responsible to assess and decide whether the reported Shariah related incidents shall be classified as Potential SNC, and also in preparing the SNC report for deliberation by the SOC in determining whether the Shariah related incident is an SNC or otherwise.

Shariah Audit

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

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 RM 32,505 has been purified by channeling to charity. The system has been enhanced to mitigate the recurrence.

13.0 Investment Account ("IA")

The Bank offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RA") which refers to a type of IA where the Investment Account Holder ("IAH") provides a specific investment to the Bank and Unrestricted Investment Account ("UA") which refers to a type of IA where the customer provides the Bank with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RA and UA are based on the Shariah concept of Mudarabah.

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

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

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

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

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

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

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

13.1 Restricted Investment Account ("RA")

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 the MTIA-i is as presented in the table below :

As at 30 September 2024	%
Return on Assets (“ROA”)	4.99
Average Net Distributable Income Attributable to the IAH	2.43
Average Profit Sharing Ratio to the IAH	48.81

As at 31 March 2024	%
Return on Assets (“ROA”)	4.96
Average Net Distributable Income Attributable to the IAH	2.41
Average Profit Sharing Ratio to the IAH	48.52