

AMMB Holdings Berhad

Pillar 3 Disclosure

31 March 2022

RWCAF- Pillar 3 Disclosure (Applicable to the regulated banking subsidiaries of the Group) For 31 March 2022

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1.0 Scope of Application

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

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

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

Capital Adequacy

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

The capital adequacy ratios are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020. Pursuant to BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), financial institution is required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

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

The Group and banking group subsidiaries have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

1.0 Scope of Application (Cont'd.)

Frequency of Disclosure

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

Medium and Location of Disclosure

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

1.1 Basis of Consolidation

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

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

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

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

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

2.0 Capital Management

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

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

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

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

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

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

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

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage the impact of the COVID-19 outbreak, which included allowing banking institutions to drawdown on the capital conservation buffer ("CCB") of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions were given reasonable time to rebuild the buffers after 31 December 2020 and were expected to restore to the minimum regulatory requirement by 30 September 2021. During the financial year ended 31 March 2022, the Group and its banking subsidiaries continued to maintain sufficient buffer above the CCB and minimum regulatory requirement.

On 9 December 2020, BNM issued revised policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). The key addition to the revised policy documents is the transitional arrangements for financial institutions on provisions for expected credit loss ("ECL"). Under these revised policy documents, a financial institution is allowed to add back a portion of the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from financial year 2021 to financial year 2024.

Table 2.1: Capital Adequacy Ratios

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

	31 March 2022			Group
	AmBank	AmBank Islamic	AmInvestment Bank	
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Tier 1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Total Capital Ratio	16.109%	17.292%	34.077%	15.456%
After deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Tier 1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Total Capital Ratio	16.109%	17.292%	26.456%	15.315%
31 March 2021				
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Total Capital Ratio	15.650%	16.661%	27.374%	14.481%
After deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Total Capital Ratio	15.650%	16.553%	27.374%	14.481%

Notes:

- (1) Pursuant to the revised BNM policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios of the Group and the banking subsidiaries had been computed applying transitional arrangements on provision for ECL. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries as at 31 March 2022 and 31 March 2021 are as follows:

	31 March 2022			Group
	AmBank	AmBank Islamic	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Tier 1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Total Capital Ratio	15.967%	16.948%	34.077%	15.324%
After deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Tier 1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Total Capital Ratio	15.967%	16.948%	26.456%	15.184%

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

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

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

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

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

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

31 MARCH 2022							
Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")	Net exposures/ EAD after CRM	Risk weighted assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum capital requirement at 8%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
1. Credit risk							
On-balance sheet exposures:							
Sovereigns/central banks	19,370,480	19,370,480	-	-	-	-	
Public Sector Entities ("PSEs")	2,391	2,391	478	-	478	38	
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	9,024,654	9,024,654	1,881,234	-	1,881,234	150,499	
Corporates	64,706,105	62,344,751	51,638,720	-	51,638,720	4,131,098	
Regulatory retail	40,750,084	35,823,071	28,710,853	361,288	28,349,565	2,267,965	
Residential mortgages	26,550,853	26,546,213	10,339,413	-	10,339,413	827,153	
Higher risk assets	692,625	692,615	1,038,922	-	1,038,922	83,114	
Other assets	2,568,755	2,568,755	1,829,480	-	1,829,480	146,358	
Securitisation exposures	90	90	1,125	-	1,125	90	
Equity exposures	79	79	79	-	79	6	
Defaulted exposures	1,242,890	1,236,743	1,228,688	-	1,228,688	98,295	
Total for on-balance sheet exposures	164,909,006	157,609,842	96,668,992	361,288	96,307,704	7,704,616	
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives	1,860,867	1,637,225	1,096,035	-	1,096,035	87,683	
Credit derivatives	-	-	-	-	-	-	
Off-balance sheet exposures other than OTC derivatives or credit derivatives	13,410,296	9,562,490	8,284,969	-	8,284,969	662,798	
Defaulted exposures	36,721	28,320	42,297	-	42,297	3,384	
Total for off-balance sheet exposures	15,307,884	11,228,035	9,423,301	-	9,423,301	753,865	
Total on and off-balance sheet exposures	180,216,890	168,837,877	106,092,293	361,288	105,731,005	8,458,481	
2. Large exposures risk requirement			981,925	-	981,925	78,554	
3. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	94,489,381	92,045,367	1,367,905	-	1,367,905	109,432	
- Specific interest rate risk/rate of return risk	2,601,300	279,488	20,208	-	20,208	1,617	
Foreign currency risk	1,008,576	1,973,119	2,464,919	-	2,464,919	197,193	
Equity risk							
- General risk	36,868	9,928	26,939	-	26,939	2,155	
- Specific risk	36,868	9,928	54,450	-	54,450	4,356	
Option risk	162,356	167,677	39,048	-	39,048	3,124	
Total	98,335,349	94,485,507	3,973,469	-	3,973,469	317,877	
4. Operational risk			7,114,901	-	7,114,901	569,192	
5. Total RWA and capital requirements			118,162,588	361,288	117,801,300	9,424,104	

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

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

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

3.0 Capital Structure

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

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

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Capital

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

The Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020. On 14 April 2021, the Company announced the completion of the private placement with issuance of 300 million shares at RM2.75 per share. The total share capital raised amounted to RM825.0 million.

(b) Retained Earnings

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

(c) Fair Value Reserve

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

(d) Foreign Currency Translation Reserve/(Deficit)

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

(e) Regulatory Reserve

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

(f) Cash Flow Hedging Reserve/(Deficit)

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

3.1 CET1 Capital (Cont'd.)

(g) **Other disclosed reserves comprise**

(i) **Executive Share Scheme reserve**

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

(ii) **Treasury shares**

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

During the current financial year, the Company bought back from the open market, a total of 5,330,700 ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM3.15 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM16.8 million and was financed by internally generated funds. The shares bought back are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

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

Basel III Subordinated Notes

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

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

The salient features of the Subordinated Notes issued under this programme and outstanding as at 31 March 2022 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
16 October 2017	17 October 2022	10 years Non-Callable 5 years	4.90% per annum	570
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	175
14 March 2018	14 March 2023	10 years Non-Callable 5 years	5.23% per annum	350
15 November 2018	15 November 2023	10 years Non-Callable 5 years	4.98% per annum	1,000
30 March 2021	30 March 2026	10 years Non-Callable 5 years	4.18% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.30% per annum	600
Total				3,095

3.3 Tier 2 Capital (Cont'd.)

Basel III Subordinated Sukuk Murabahah

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

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

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

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2022 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	150
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	500
8 December 2020	8 December 2025	10 years Non-Callable 5 years	3.13% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.25% per annum	250
Total				1,300

Table 3.2: Capital Structure

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

	31 March 2022			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
<u>CET1 Capital</u>				
Ordinary share capital ^{Note 1}	3,040,465	1,387,107	330,000	6,376,240
Retained earnings	6,524,068	2,490,692	139,315	9,251,065
Fair value reserve	293,346	(3,893)	1,703	485,759
Foreign exchange translation reserve	92,301	-	-	98,871
Treasury shares	-	-	-	(11,041)
Regulatory reserve	94,463	-	8,457	102,920
Cash flow hedging deficit	(9,062)	-	-	(9,062)
Other remaining disclosed reserves	-	-	-	36,472
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	-	-	-	(303,492)
Other intangible assets	(221,538)	(495)	(2,063)	(225,116)
Deferred tax assets	(158,227)	(61,249)	(5,446)	(216,855)
55% of cumulative gains in fair value reserve	(161,340)	-	(937)	(267,168)
Cash flow hedging deficit	9,062	-	-	9,062
Regulatory reserve	(94,463)	-	(8,457)	(102,920)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	-	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(648)	(92)	-	(681)
Other CET1 regulatory adjustments specified by BNM	413,471	235,578	1	649,031
CET1 Capital	9,813,410	4,047,648	412,764	14,539,085
<u>Additional Tier 1 Capital</u>				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	-	-	-	431
Tier 1 Capital	9,813,410	4,047,648	412,764	14,539,516
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	1,300,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	-	-	-	2,752,328
General provisions*	650,081	256,523	8,460	914,980
Tier 2 Capital	3,745,081	1,556,523	8,460	3,667,308
Total Capital	13,558,491	5,604,171	421,224	18,206,824

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

Credit RWA	75,535,958	32,508,336	891,418	106,092,293
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,075,074)	-	(361,288)
Total Credit RWA	75,535,958	30,433,262	891,418	105,731,005
Market RWA	2,859,665	215,113	17,652	3,973,469
Operational RWA	4,792,198	1,760,237	327,009	7,114,901
Large exposure risk RWA for equity holdings	980,771	-	-	981,925
Total RWA	84,168,592	32,408,612	1,236,079	117,801,300

Note 1: On 14 April 2021, the Company increased its issued and paid-up ordinary share capital by RM825.0 million through the issuance of 300,000,000 new ordinary shares.

On 31 May 2021, AmBank increased its issued and paid-up ordinary share capital by RM450.0 million through the issuance of 46,680,498 new ordinary shares.

Table 3.2: Capital Structure (Cont'd.)

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

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

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

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

Note 2: On 30 March 2021, AmBank and AmInvestment Bank increased its issued and paid-up ordinary share capital by RM650.0 million and RM130.0 million through the issuance of 66,394,280 and 114,035,088 new ordinary shares respectively.

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

4.0 General Risk Management

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

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

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

The Group Risk Direction

The Group's FY2021 – 2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of $\geq 10\%$, (2) Sharpening Our Segment Play, (3) Harnessing expertise across the Group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P²ACE"), (7) Integrating Environmental, Social, and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

- 1 The Group aspires to have a minimum financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
- 2 The Group aims to maintain a minimum ROCE of 12% and RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
- 3 The Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Target under normal conditions.
- 4 The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
- 5 The Group recognises the importance of funding its own business. It aims to maintain the following:
 - a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
 - b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
 - c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective July 2020).
- 6 The Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
 - a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
 - b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
- 7 The Group aims for at least 70% of its loan/financing portfolio to constitute exposures with low Environmental, Social and Governance Risk Grade ("ESG-RG") by FY2030.
- 8 The Group aims to maintain its IRRBB/RORBB Internal Capital Adequacy Assessment Programme ("ICAAP") Pillar 2 over total capital ratio at entity level as follows:
 - a. ICAAP IRRBB/RORBB at below 8.5% of its Total Capital for AmBank and AmBank Islamic (entity level);
 - b. ICAAP IRRBB/RORBB at below 5% of its Total Capital for AmInvestment (entity level).

Risk Management Governance

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

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

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd.)

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

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

Impact of COVID-19

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

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

The Group welcomed the stimulus plan announced by the Government with various allowances provided for by the regulator, as well as the introduction of multiple government guaranteed schemes to assist SMEs.

Although some risks within the portfolio have begin emerging, especially in Retail Banking, the effects of the efforts put in to reach out to customers throughout the period is seen. The Group continues proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out and has been actively offering assistance where required. In addition, appropriate management overlay has been set aside to cushion the potential flow in arrears of account under repayment assistance.

The Group continues engaging our SME customers through multiple channels and encouraging them to reach out to the banking subsidiaries if assistance is needed. Reviews on our customers has been an on-going process, especially those in vulnerable sectors and segments, and various forms of assistance has been extended within the regulators allowance and the Group's risk appetite.

The Group has also continue to provide the repayment assistance packages in line with government initiative to assist the affected customer:

- (1) URUS (Financial Management and Resilience Programme) - a programme for eligible B50 borrowers/customers which provides a personalised financial plan that holistically takes into account financial circumstances and affordability to repay all financing obligations.
- (2) PEMERKASA Plus (Strategic Program for Empowering the People and the Economy) – which offer 3 months loans/financing deferment or reduction in instalments for 6 months (PEMERKASA was then replaced by PEMULIH in July 2021).
- (3) PEMULIH (People's Protection and Economic Recovery Package)- which offer 6 months moratorium, reduction of instalment by 50% and other packages including to reschedule and restructure financing to suit the specific financial circumstances of borrowers (ended December 2021).

Group Risk Management as a whole has been closely monitoring, mitigating and addressing the prolonged impact arising from the COVID-19 pandemic to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

4.1 Internal Capital Adequacy Assessment Process

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

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

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

The following key principles underpin the ICAAP:

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

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

4.1.2 Board and Senior Management Oversight

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

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

4.1.3 Capital Management Framework

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

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

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

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

4.1.5 Capital allocation:

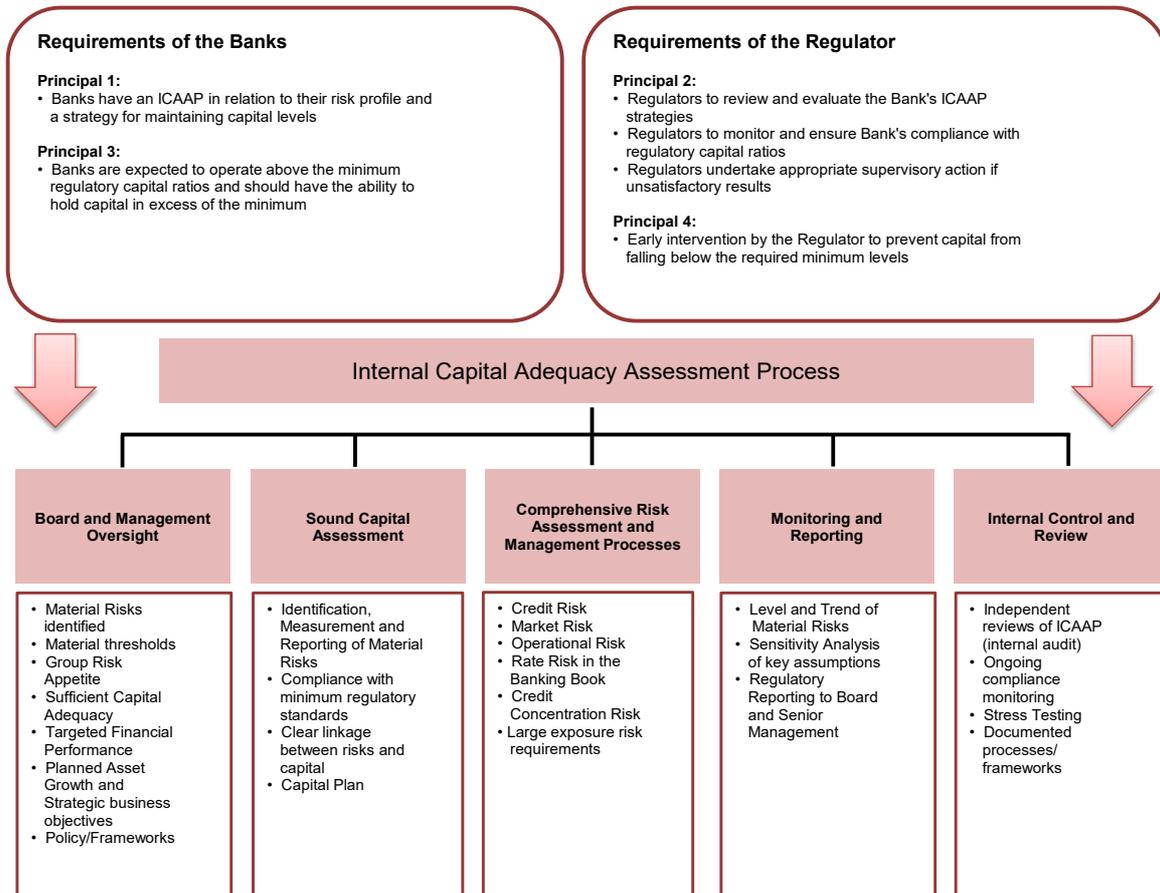
- Capital allocation shall be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

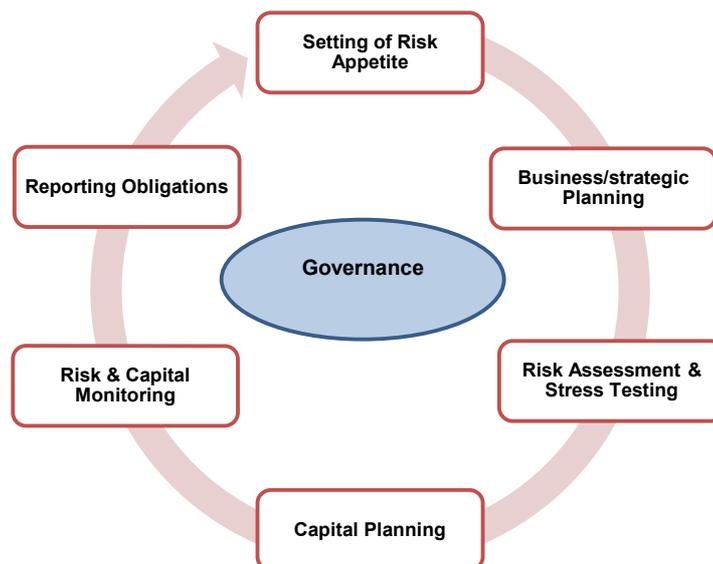
- The Group shall identify and assess the risk materiality on an annual basis;
- Risk assessments shall be conducted at banking subsidiaries' level and incorporate both quantitative and qualitative elements; and
- Methodologies to identify and determine the materiality of current risk types, changes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

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

ICAAP Framework

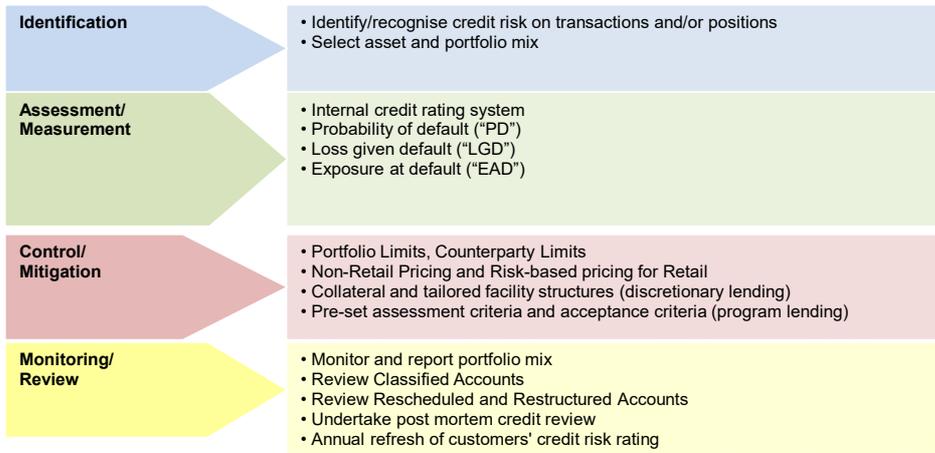


Overview of ICAAP process and setting Internal Capital Targets



5.0 Credit Risk Management

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



Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (please refer to section 14 for discussion on Shariah Governance Structure).

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

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

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

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

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

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

- Concentration threshold/review triggers:
 - single counterparty credit exposure;
 - industry sector exposure; and
 - country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing;
- Non-Retail Credit Policy ("NRCP") 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 processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB, and RCP for RB) sets out the controls in managing R&R loans/financing;
- Setting Retail 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 the Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds a stipulated customer group threshold within the Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). Portfolio credit risk is reported to the relevant management and board committees.

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

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

5.1 Impairment

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

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

5.1.1 Group Provisioning Methodology

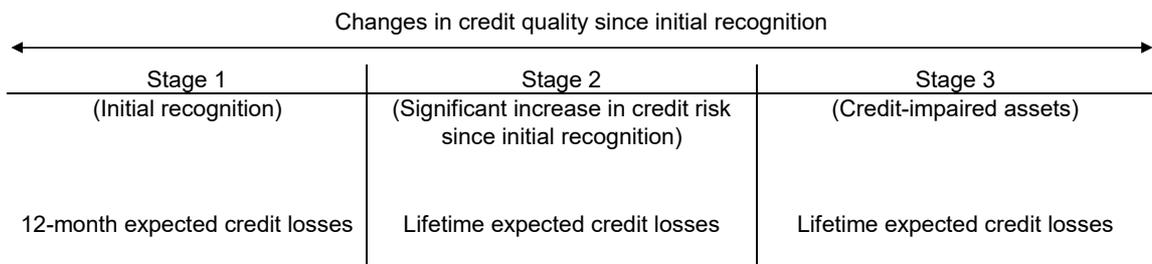
The Group's provisioning methodology complies with MFRS 9 where the Group recognises Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently,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

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

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

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

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



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

31 MARCH 2022															
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	19,370,480	-	-	-	-	-	19,370,480
PSEs	-	-	-	-	-	-	-	-	2,391	-	-	-	-	-	2,391
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,024,654	-	-	-	-	-	-	9,024,654
Corporates	2,500,161	1,944,893	14,867,468	2,507,244	5,582,485	10,046,287	6,136,010	5,114,910	-	7,645,759	2,772,775	4,670,696	912,039	5,378	64,706,105
Regulatory retail	58,442	18,252	780,335	84,358	500,487	1,370,450	269,073	26,077	-	136,852	446,861	101,726	36,956,489	682	40,750,084
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	26,550,853	-	26,550,853
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	17,501	675,124	692,625
Other assets	-	-	-	-	-	-	-	18,315	170,000	10	31,472	-	74,342	2,274,616	2,568,755
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	79	79
Defaulted exposures	7,969	42,733	147,358	1,928	57,454	100,891	125,374	1,144	-	181,372	22,677	5,872	548,118	-	1,242,890
Total for on-balance sheet exposures	2,566,572	2,005,878	15,795,161	2,593,530	6,140,426	11,517,628	6,530,457	14,185,190	19,542,871	7,963,993	3,273,785	4,778,294	65,059,342	2,955,879	164,909,006
Off-balance sheet exposures															
OTC derivatives	13,428	22,511	329,996	476	-	11,466	227,341	1,207,599	6,308	-	12,712	5,821	23,209	-	1,860,867
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	304,533	105,596	2,700,600	473,331	2,857,720	1,099,771	418,776	2,020,463	-	774,923	141,155	160,709	2,351,858	861	13,410,296
Defaulted exposures	-	3,012	7,891	-	10,896	133	-	-	-	484	81	-	14,224	-	36,721
Total for off-balance sheet exposures	317,961	131,119	3,038,487	473,807	2,868,616	1,111,370	646,117	3,228,062	6,308	775,407	153,948	166,530	2,389,291	861	15,307,884
Total on and off-balance sheet exposures	2,884,533	2,136,997	18,833,648	3,067,337	9,009,042	12,628,998	7,176,574	17,413,252	19,549,179	8,739,400	3,427,733	4,944,824	67,448,633	2,956,740	180,216,890

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

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

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

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

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

31 MARCH 2022														
	Agriculture	Mining and	Manufacturing	Electricity,	Construction	Wholesale and	Transport, Storage	Finance and	Real Estate	Business	Education	Household	Others	Total
	RM'000	Quarrying	RM'000	Gas and Water	RM'000	Retail Trade and	and	Insurance	RM'000	Activities	and Health	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	Hotels and	Communication	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	8,834	175,741	226,687	4,639	112,676	Restaurants	RM'000	1,494	188,167	37,595	6,218	725,426	-	1,676,044
Past due but not impaired loans/financing	167,317	10,345	52,439	3,222	138,862		RM'000	2,504	27,942	58,449	23,451	4,854,319	-	5,520,292
Allowances for Expected Credit Losses (Writeback)/Charges for individual allowance	11,482	139,070	314,061	11,147	86,636		RM'000	60,480	36,881	29,206	7,230	948,436	4,325	1,927,506
Write-offs against individual allowance and other movements	(1,523)	266,515	12,032	471	34,182		RM'000	-	13,137	2,819	264	(323)	-	339,170
	-	165,519	8,597	-	30,814		RM'000	-	15,536	-	-	-	-	276,368

31 MARCH 2021														
	Agriculture	Mining and	Manufacturing	Electricity,	Construction	Wholesale and	Transport, Storage	Finance and	Real Estate	Business	Education	Household	Others	Total
	RM'000	Quarrying	RM'000	Gas and Water	RM'000	Retail Trade and	and	Insurance	RM'000	Activities	and Health	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	Hotels and	Communication	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impaired loans, advances and financing	79,621	37,955	194,000	3,521	92,315	Restaurants	RM'000	1,325	312,785	41,736	6,548	739,018	-	1,770,320
Past due but not impaired loans/financing	180,159	1,702	106,249	6,204	171,423		RM'000	297	50,423	62,107	13,869	3,243,503	-	4,162,520
Allowances for Expected Credit Losses* Charges/(Writeback) for individual allowance	12,660	22,214	253,062	6,626	89,340		RM'000	30,349	39,353	25,822	5,537	1,400,573	4,773	2,075,701
Write-offs against individual allowance and other movements	1,504	33,511	16,657	2,033	10,828		RM'000	-	20,132	4,550	1,425	(3,806)	-	158,278
	-	15,579	9,104	-	1,296		RM'000	-	36,901	5,779	3,466	-	-	77,991

* Restated

Table 5.3: Geographical distribution of credit exposures

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

31 MARCH 2022			
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	19,370,480	-	19,370,480
PSEs	2,391	-	2,391
Banks, DFIs and MDBs	6,054,899	2,969,755	9,024,654
Corporates	63,803,199	902,906	64,706,105
Regulatory retail	40,743,743	6,341	40,750,084
Residential mortgages	26,550,853	-	26,550,853
Higher risk assets	691,988	637	692,625
Other assets	2,452,071	116,684	2,568,755
Securitisation exposures	90	-	90
Equity exposures	79	-	79
Defaulted exposures	1,242,862	28	1,242,890
Total for on-balance sheet exposures	160,912,655	3,996,351	164,909,006
Off-balance sheet exposures			
OTC derivatives	1,330,057	530,810	1,860,867
Credit derivatives	-	-	-
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	13,365,927	44,369	13,410,296
Defaulted exposures	36,721	-	36,721
Total for off-balance sheet exposures	14,732,705	575,179	15,307,884
Total on and off-balance sheet exposures	175,645,360	4,571,530	180,216,890

31 MARCH 2021			
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	21,587,043	-	21,587,043
PSEs	2,932	-	2,932
Banks, DFIs and MDBs	4,964,025	2,763,239	7,727,264
Corporates	60,022,306	737,666	60,759,972
Regulatory retail	42,588,574	10,773	42,599,347
Residential mortgages	21,142,874	-	21,142,874
Higher risk assets	705,718	534	706,252
Other assets	2,142,348	106,453	2,248,801
Securitisation exposures	5,655	-	5,655
Equity exposures	69	-	69
Defaulted exposures	1,245,595	44	1,245,639
Total for on-balance sheet exposures	154,407,139	3,618,709	158,025,848
Off-balance sheet exposures			
OTC derivatives	1,618,305	517,148	2,135,453
Credit derivatives	-	11	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	11,614,970	54,975	11,669,945
Defaulted exposures	31,204	-	31,204
Total for off-balance sheet exposures	13,264,479	572,134	13,836,613
Total on and off-balance sheet exposures	167,671,618	4,190,843	171,862,461

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

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

31 MARCH 2022			
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,666,873	9,171	1,676,044
Past due but not impaired loans/financing	5,520,292	-	5,520,292
Allowances for Expected Credit Losses	1,915,628	11,878	1,927,506

31 MARCH 2021			
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,739,359	30,961	1,770,320
Past due but not impaired loans/financing	4,162,520	-	4,162,520
Allowances for Expected Credit Losses*	2,043,681	32,020	2,075,701

* Restated

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

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

31 MARCH 2022									
	Up to 1 month	>1 month to 3	>3 months to 6	>6 months to 12	>1 year to 3	>3 years to 5	> 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet exposures									
Sovereigns/Central banks	8,271,542	-	344,891	295,916	2,372,790	2,226,089	5,859,252	-	19,370,480
PSEs	-	-	-	-	-	2,391	-	-	2,391
Banks, DFIs and MDBs	5,788,557	1,282,878	15,063	-	1,166,935	149,115	622,106	-	9,024,654
Corporates	20,458,725	6,208,212	3,901,574	5,821,948	7,607,240	6,599,594	14,108,812	-	64,706,105
Regulatory retail	243,742	106,633	146,143	2,694,472	1,713,959	4,222,113	31,623,022	-	40,750,084
Residential mortgages	1,173	216	1,172	4,446	53,006	152,649	26,338,191	-	26,550,853
Higher risk assets	12	5	44	18	537	562	16,323	675,124	692,625
Other assets	1,409,549	-	-	-	-	-	-	1,159,206	2,568,755
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	79	79
Defaulted exposures	302,833	3,509	2,030	97,164	69,365	57,760	710,229	-	1,242,890
Total for on-balance sheet exposures	36,476,133	7,601,453	4,410,917	8,913,964	12,983,832	13,410,273	79,278,025	1,834,409	164,909,006
Off-balance sheet exposures									
OTC derivatives	42,384	84,182	87,121	342,818	313,437	142,172	848,753	-	1,860,867
Credit derivatives	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	2,794,241	1,852,997	650,222	6,944,903	8,867	65,554	1,093,512	-	13,410,296
Defaulted exposures	8,097	99	1,854	14,909	312	406	11,044	-	36,721
Total for off-balance sheet exposures	2,844,722	1,937,278	739,197	7,302,630	322,616	208,132	1,953,309	-	15,307,884
Total on and off-balance sheet exposures	39,320,855	9,538,731	5,150,114	16,216,594	13,306,448	13,618,405	81,231,334	1,834,409	180,216,890

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

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

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

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

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

FINANCIAL YEAR ENDED 31 MARCH 2022 ("FY2022")	
	(Charge off)/ recoveries
	RM'000
Bad debts written off during the financial year	(39,770)
Bad debt recoveries during the financial year	280,154

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

6.0 Credit Risk Exposure under Standardised Approach

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

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

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

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

31 MARCH 2022													
Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	PSEs	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	19,370,480	-	355,748	-	4,981,599	125,008	-	-	415,716	-	-	25,248,551	-
20%	-	2,391	8,823,039	-	7,883,332	1,300,457	-	-	404,449	-	-	18,413,668	3,682,734
35%	-	-	-	-	-	-	19,632,063	-	-	-	-	19,632,063	6,871,222
50%	6,308	-	909,060	-	250,039	16,560	7,078,830	-	-	-	-	8,260,797	4,130,399
75%	-	-	-	-	-	25,919,455	-	-	-	-	-	25,919,455	19,439,591
100%	-	-	-	8,210	57,456,268	10,822,498	119,668	-	1,748,590	-	79	70,155,313	70,155,313
150%	-	-	-	-	344,116	154,018	-	709,806	-	-	-	1,207,940	1,811,909
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	19,376,788	2,391	10,087,847	8,210	70,915,354	38,337,996	26,830,561	709,806	2,568,755	90	79	168,837,877	106,092,293

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

Table 6.2: Rated Exposures according to Ratings by ECAIs

31 MARCH 2022						
Ratings of Corporate by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Group						
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	2,391	-	-	-	-	2,391
Insurance companies, Securities firms and Fund managers	8,210	-	-	-	-	8,210
Corporates	75,423,301	5,939,373	-	13,672	-	69,470,256
Total	75,433,902	5,939,373	-	13,672	-	69,480,857

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

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

31 MARCH 2022						
Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Group						
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	19,376,788	-	-	19,376,788	-	-
Total	19,376,788	-	-	19,376,788	-	-

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

31 MARCH 2022						
Ratings of Banking Institutions by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Group						
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	11,770,389	3,675,902	461,029	129,295	-	7,504,163
Total	11,770,389	3,675,902	461,029	129,295	-	7,504,163

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

Table 6.3: Securitisation according to Ratings by ECAs

31 MARCH 2022				
Ratings of Securitisation by Approved ECAs				
Moody's		Aaa to Aa3	A1 to A3	Unrated
Fitch		AAA to AA-	A+ to A-	Unrated
RAM		AAA to AA3	A1 to A3	Unrated
MARC		AAA to AA-	A+ to A-	Unrated
Group				
Exposure class	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures				
Securitisation exposures	90	-	-	90
Total	90	-	-	90

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

7.0 Credit Risk Mitigation

Collateral taken by the Group

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

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

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

Processes for collateral management

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

Guarantee support

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

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

Use of credit derivatives and netting for risk mitigation

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

Transaction structuring to mitigate credit risk

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

Concentrations of credit risk mitigation

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

Table 7.1: Credit Risk Mitigation

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

31 MARCH 2022			
Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
<u>On-balance sheet exposures</u>			
Sovereigns/Central banks	19,370,480	-	-
PSEs	2,391	-	-
Banks, DFIs And MDBs	9,024,654	-	-
Corporates	64,706,105	709,117	4,716,471
Regulatory retail	40,750,084	1,381,361	6,490,947
Residential mortgages	26,550,853	-	25,577
Higher risk assets	692,625	-	10
Other assets	2,568,755	-	-
Securitisation exposures	90	-	-
Equity exposures	79	-	-
Defaulted exposures	1,242,890	54,760	18,495
Total for on-balance sheet exposures	164,909,006	2,145,238	11,251,500
<u>Off-balance sheet exposures</u>			
OTC derivatives	1,860,867	-	412,595
Credit derivatives	-	-	-
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	13,410,296	382,077	4,763,881
Defaulted exposures	36,721	-	14,387
Total for off-balance sheet exposures	15,307,884	382,077	5,190,863
Total on and off-balance sheet exposures	180,216,890	2,527,315	16,442,363

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

8.0 Off-Balance Sheet exposures and Counterparty Credit Risk

8.1 Off-Balance Sheet exposures

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

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

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

8.2 Counterparty Credit Risk

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

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

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

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

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

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

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

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

Table 8.1: Off-Balance Sheet Exposures

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

31 MARCH 2022				
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	2,972,783		2,896,505	2,522,218
Transaction related contingent Items	4,295,291		2,038,081	1,592,769
Short-term self-liquidating trade-related contingencies	604,427		99,199	89,086
Forward Asset Purchases	60,257		3,500	2,500
Obligations under on-going underwriting agreements	130,000		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	1,687,548		1,729,929	40,560
Foreign exchange related contracts				
One year or less	19,845,570	28,549	183,577	143,375
Over one year to five years	4,312,476	111,905	406,445	341,260
Over five years	1,114,259	992	144,921	126,483
Interest/Profit rate related contracts				
One year or less	789,332	6,587	7,839	3,311
Over one year to five years	2,898,059	63,609	105,215	36,826
Over five years	2,346,446	97,146	280,462	137,862
Equity and commodity related contracts				
One year or less	1,463,602	38,395	71,670	36,810
Over one year to five years	75,367	8,214	180	36
Other Commodity Contracts				
One year or less	106,784	8,861	4,196	2,759
Over one year to five years	71,367	8,264	12,546	2,151
Credit Derivative Contracts				
One year or less	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	56,447,261	448,851	643,816	265,162
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	17,485,076		1,252,625	968,274
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,516,528		4,401,879	2,348,850
Unutilised credit card lines	5,126,496		1,025,299	763,009
Total	124,348,929	821,373	15,307,884	9,423,301

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

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

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

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

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

Group		31 March 2022		31 March 2021	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	-	-	197,950	150,000

No exposure as at 31 March 2022 due to expiry of the credit derivatives contract on 14 September 2021. As at 31 March 2021, out of the total notional exposure for protection bought, RM150.0 million has no counterparty credit risk exposure because it was on a fully funded basis.

9.0 Securitisation

9.1 Objectives, roles and involvement

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

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

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

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

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

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

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

9.3 Governance

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

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

9.4 Risk measurement and reporting of securitisation exposures

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

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

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

9.6 Accounting Policies for Securitisation

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

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

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

9.7 Use of external rating agencies

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

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

31 MARCH 2022				
Underlying Asset	Total Exposures Securitized RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Mortgage loans	1,078,947	-	1,069,023	-
Total Traditional Securitisation	1,078,947	-	1,069,023	-

31 MARCH 2021				
Underlying Asset	Total Exposures Securitized RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
<u>Traditional Securitisation</u>				
<u>Originated by the Group</u>				
<u>Banking Book</u>				
Mortgage loans	1,036,853	-	1,028,904	-
Total Traditional Securitisation	1,036,853	-	1,028,904	-

The Group did not have any exposures under synthetic securitisation as at 31 March 2022 and 31 March 2021.

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

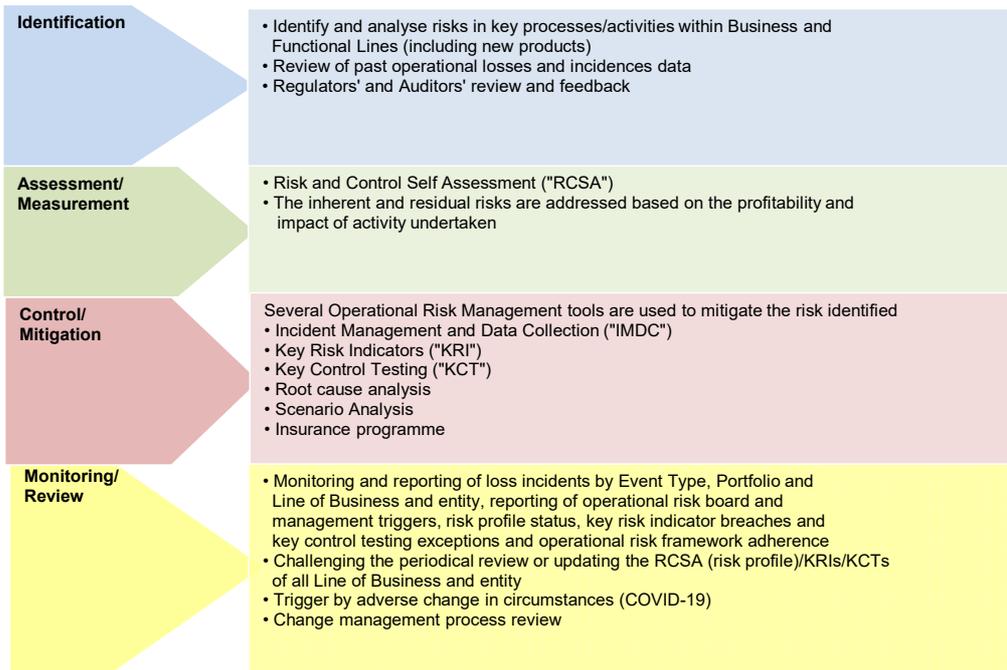
31 MARCH 2022							
Group	Exposure Value of Positions Purchased or Retained	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights			Risk Weighted Assets
				Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives			
				20%	50%	1250%	
Securitisation Exposures by Exposure Type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Traditional Securitisation Originated by Third Party On-Balance Sheet Exposures	-	-	-	-	-	-	-
Originated by the Group On-Balance Sheet Exposures	90	90	-	-	-	90	1,125
Total Traditional Securitisation	90	90	-	-	-	90	1,125

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

There is no securitisation exposure under trading book as at 31 March 2022 and 31 March 2021.

10.0 Operational Risk

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



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

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

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

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

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced FLOD provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.
- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness, ORM training and reporting of operational risk triggers, breaches, KCT exceptions, operational loss incidents to GMRC, RMC and the Board.
- GIAD acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

10.0 Operational Risk (Cont'd.)

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

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

The GMRC, Risk Management Committee Director ("RMCD") and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

10.1 Business Continuity Management

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

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

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

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

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

10.2 Cyber Risk Management

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

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

The Group 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.

10.3 Legal Risk

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

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

10.4 Regulatory Compliance Risk

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

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

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

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

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

11.0 Market Risk Management

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

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.



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

11.1 Traded Market Risk (“TMR”) (Cont’d.)

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

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

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

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

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

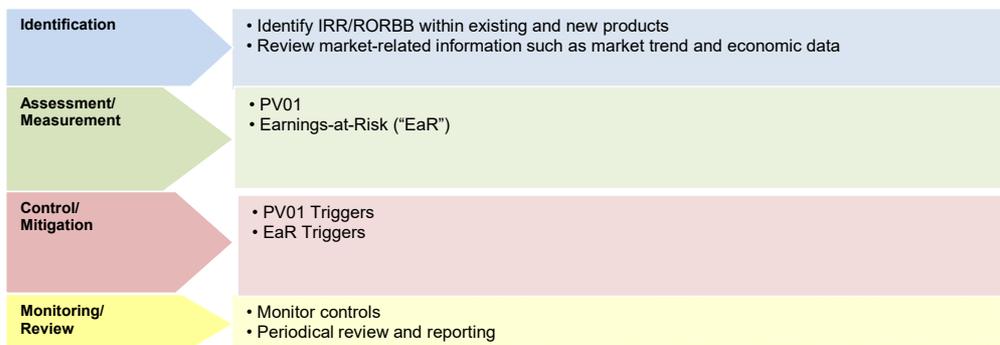
IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.2 Non-Traded Market Risk (“NTMR”)

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

	31 MARCH 2022	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Zakat and Taxation	197,177	(197,177)
Impact on Equity	(1,060,900)	1,178,793

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

12.0 Equities (Banking Book Positions)

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

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

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

Table 12.1: Equity investments and capital requirement

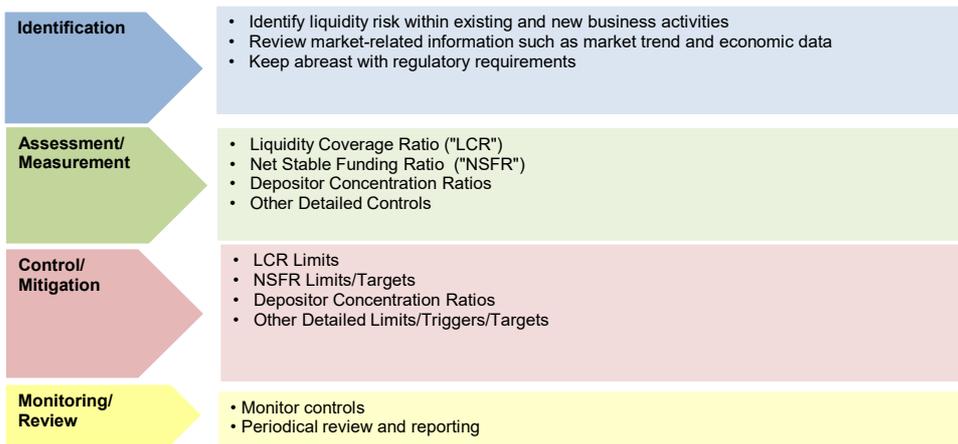
An analysis of equity investments by appropriate equity groupings and risk weighted assets of the Group is as follows:

	31 MARCH 2022	31 MARCH 2021
	RM'000	RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	1,207	1,173
Value of unquoted (privately held) equities	675,124	686,830
Total	676,331	688,003
Net realised and unrealised gains		
Cumulative realised gains from sales and liquidations	8,871	-
Total unrealised gains	3,151	93,578
Total	12,022	93,578
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	1,207	1,173
Equity investments subject to a 150% risk weight	1,012,686	1,030,245
Total	1,013,893	1,031,418
Total minimum capital requirement (8%)	81,111	82,513

13.0 Liquidity Risk and Funding Management

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

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



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

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

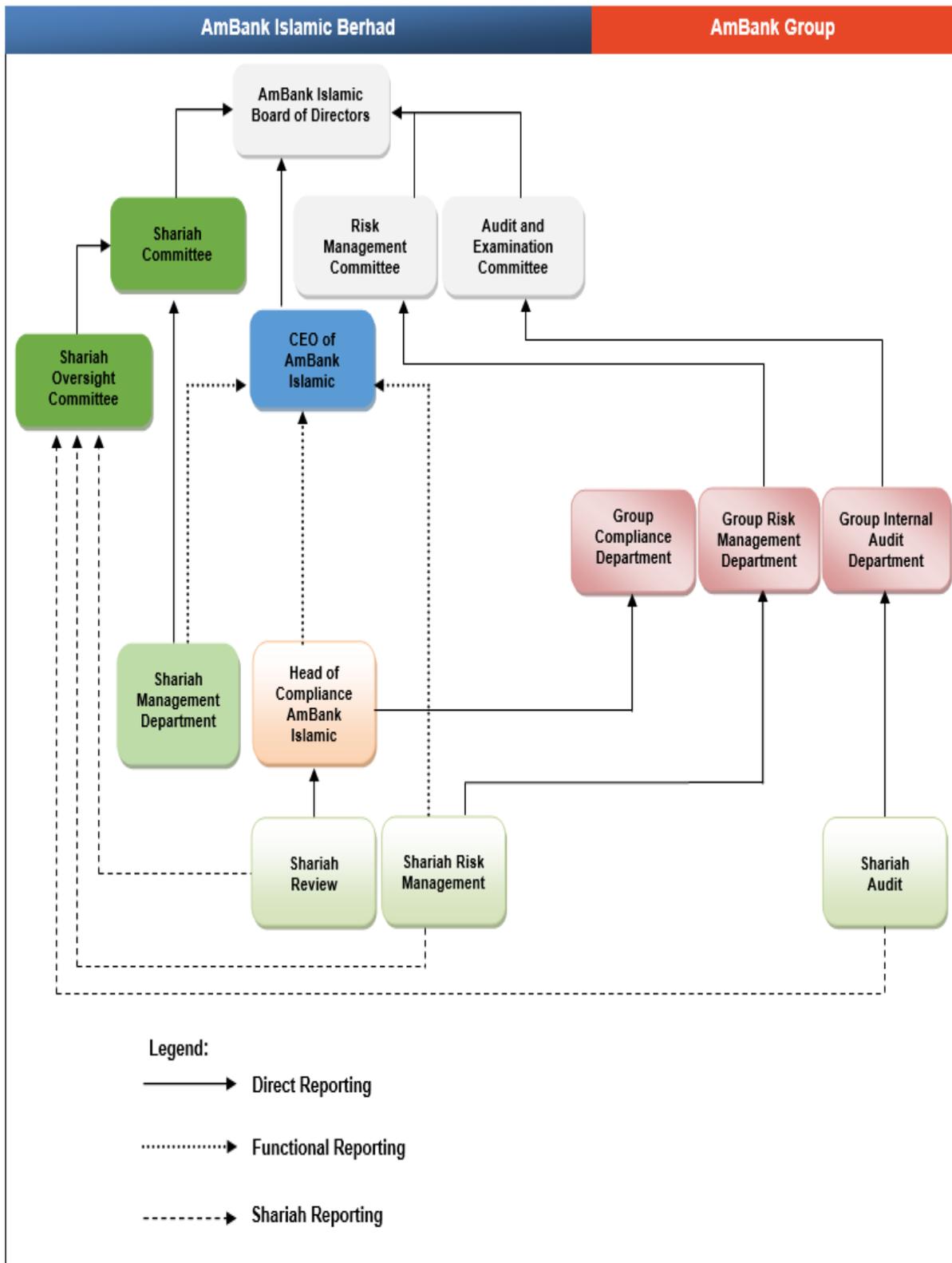
The Group has put in place a Contingency Funding Plan which is established by Capital and Balance Sheet Management ("CBSM") to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event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

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

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

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

14.0 Shariah Governance Structure



14.0 Shariah Governance Structure (Cont'd.)

AmBank Islamic

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

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

Board of Directors

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

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

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

Shariah Committee

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

Shariah Oversight Committee

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

Senior Management

The Chief Executive Officer ("CEO") and senior officers of AmBank Islamic and the Group are responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take 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

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.

14.0 Shariah Governance Structure (Cont'd.)

AmBank Islamic (Cont'd.)

Shariah Risk Management

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

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

Shariah Review

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

Shariah Audit

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

AmInvestment Bank

Upon notification to BNM, with effect from 15 June 2021, AmInvestment Bank had ceased to carry out Islamic banking business. Accordingly all other regulations applicable for Islamic banking windows will no longer apply to AmInvestment Bank. Therefore, AmInvestment Bank will not be required to comply to Pillar 3 disclosure requirements for Islamic banking institutions at balance sheet date as these requirements apply to Islamic banking institutions and focus more on risk disclosure rather than financial disclosure.

The existing operations of Islamic investment banking of AmInvestment Bank relating to stockbroking and capital market activities undertaken in compliance with Shariah principles, are regulated by the Securities Commission and Bursa Malaysia Berhad and not within the definition of Islamic Banking as per Islamic Financial Services Act 2013, hence no disclosure required. This change is also aligned to the presentation of financial information presented to management to manage the business.

14.0 Shariah Governance Structure (Cont'd.)

Shariah Non-Compliant Incidents and Income

AmBank Islamic

For the financial year ended 31 March 2022, there were no Shariah non-compliant ("SNC") incident.

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

15.0 Profit Sharing Investment Account ("PSIA")

Investment Account ("IA")

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

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

15.0 Profit Sharing Investment Account ("PSIA") (Cont'd.)

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

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

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

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

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

Restricted Investment Account ("RA")

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

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

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

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

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

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

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

15.0 Profit Sharing Investment Account ("PSIA") (Cont'd.)

Mudrabah Term Investment Account ("MTIA")

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

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

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

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

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

MTIA Performance

As at 31 March 2022, balance of MTIA stood at RM361.3 million (31 March 2021: RM76.5 million). The performance of MTIA is as described in the table below :

As at 31 March 2022	%
Return on Assets ("ROA")	4.00
Average Net Distributable Income Attributable to IAH	2.12
Average Profit Sharing Ratio to IAH	53.23

As at 31 March 2021	%
Return on Assets ("ROA")	4.08
Average Net Distributable Income Attributable to IAH	2.36
Average Profit Sharing Ratio to IAH	57.98