Registration No. 199401009897 (295576–U)

AmBank Islamic Berhad

Pillar 3 Disclosure

30 September 2022

CAFIB - Pillar 3 Disclosure
For 30 September 2022

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1.0 Scope of Application

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

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

Capital Adequacy

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

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

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

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

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

2.0 Capital Management

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

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

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

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

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

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

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

2.0 Capital Management (Cont'd.)

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

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

Under transitional arrangement (Note (i))

	30 September 2022	31 March 2022
CET 1 Capital Ratio	12.340%	12.489%
Tier 1 capital ratio	12.340%	12.489%
Total capital ratio	17.074%	17.292%

Notes:

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios of the Bank had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangement not been applied, the capital ratios of the Bank as at 31 March 2022 and 31 March 2021 are as follow:

	30 September 2022	31 March 2022
After deducting proposed dividends:		
CET 1 Capital Ratio	11.784%	11.763%
Tier 1 Capital ratio	11.784%	11.763%
Total Capital ratio	16.756%	16.948%

2.1 Restricted Investment Account ("RA")

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

As at 30 September 2022, the gross exposure and collective allowance relating to the RA financing were RM1,555.5 million and RM1.8 million respectively (31 March 2022: RM1,713.8 million and RM2.2 million respectively). There was no Stage 3 expected credit losses provided for the RA financing.

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

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

As at 30 September 2022, the outstanding MTIA-i stood at RM14.5 million (31 March 2022: RM361.3 million).

The underlying assets tagged to both RA and MTIA-i excluded from the risk weighted capital adequacy computation of the Bank for 30 September 2022 amounted to RM1,570.0 million (31 March 2022: RM2,075.1 million).

Table 2.2: Risk Weighted Assets and Capital Requirements

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

30 September 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**	**RM'000**
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		6,216,551	6,216,551	-	-	-	-
Public Sector Entities ("PSE")		2,107	2,107	421	-	421	34
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,091,063	1,091,063	272,866	-	272,866	21,830
Insurance Companies, Securities Firms and Fund Managers		442	442	442	-	442	35
Corporates		24,048,231	23,673,363	17,264,720	1,555,497	15,709,223	1,256,738
Regulatory Retail		17,010,096	12,503,175	10,501,558	14,538	10,487,020	838,961
Residential Mortgages		6,970,149	6,970,149	2,838,074	-	2,838,074	227,046
Higher Risk Assets		597	597	896	-	896	72
Other Assets		220,080	220,080	123,580	-	123,580	9,886
Defaulted Exposures		586,944	575,923	525,792	-	525,792	42,063
Total for On-Balance Sheet Exposures		**56,146,260**	**51,253,450**	**31,528,349**	**1,570,035**	**29,958,314**	**2,396,665**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		208,454	208,453	169,304	-	169,304	13,544
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		4,510,217	3,154,351	1,952,896	-	1,952,896	156,232
Defaulted Exposures		5,262	5,024	6,916	-	6,916	553
Total for Off-Balance Sheet Exposures		**4,723,933**	**3,367,828**	**2,129,116**	**-**	**2,129,116**	**170,329**
Total On and Off-Balance Sheet Exposures		**60,870,193**	**54,621,278**	**33,657,465**	**1,570,035**	**32,087,430**	**2,566,994**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	5,126,018	4,195,513		162,300		162,300	12,984
- Specific rate of return risk	848,122	9,818		2,432		2,432	195
Foreign Currency Risk	601	99,632		99,632		99,632	7,971
Option Risk	180,000	-		2,784		2,784	223
Total	**6,154,741**	**4,304,963**		**267,148**	**-**	**267,148**	**21,373**
4. **Operational Risk**				1,862,854	-	1,862,854	149,028
5. **Total RWA and Capital Requirements**				35,787,467	1,570,035	34,217,432	2,737,395

* Profit Sharing Investment Account ("PSIA").

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

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

31 March 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	RM'000
1. **Credit Risk**							
On-Balance Sheet Exposures							
Sovereigns/Central Banks		5,670,050	5,670,050	-	-	-	-
Public Sector Entities		2,391	2,391	478	-	478	38
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")		1,586,576	1,586,576	277,602	-	277,602	22,208
Corporates		20,179,732	19,653,202	16,721,101	1,713,786	15,007,315	1,200,585
Regulatory Retail		16,439,228	12,381,462	10,475,539	361,288	10,114,251	809,140
Residential Mortgages		6,082,810	6,082,810	2,468,693	-	2,468,693	197,496
Higher Risk Assets		984	984	1,475	-	1,475	118
Other Assets		187,473	187,473	90,973	-	90,973	7,278
Defaulted Exposures		499,947	499,273	450,373	-	450,373	36,030
Total for On-Balance Sheet Exposures		**50,649,191**	**46,064,221**	**30,486,234**	**2,075,074**	**28,411,160**	**2,272,893**
Off-Balance Sheet Exposures							
Over the counter ("OTC") Derivatives		200,236	200,236	134,324	-	134,324	10,746
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		3,910,511	2,466,272	1,885,226	-	1,885,226	150,818
Defaulted Exposures		5,206	1,717	2,552	-	2,552	204
Total for Off-Balance Sheet Exposures		**4,115,953**	**2,668,225**	**2,022,102**	**-**	**2,022,102**	**161,768**
Total On and Off-Balance Sheet Exposures		**54,765,144**	**48,732,446**	**32,508,336**	**2,075,074**	**30,433,262**	**2,434,661**
2. **Large Exposure Risk Requirement**		-	-	-	-	-	-
3. **Market Risk**	**Long Position**	**Short Position**					
Rate of Return Risk							
- General rate of return risk	5,176,242	4,157,260		113,360	-	113,360	9,069
- Specific rate of return risk	992,354	40,620		7,230	-	7,230	578
Foreign Currency Risk	1,027	92,512		92,512	-	92,512	7,401
Option Risk	130,000	-		2,011		2,011	161
Total	**6,299,623**	**4,290,392**		**215,113**	**-**	**215,113**	**17,209**
4. **Operational Risk**				1,760,237		1,760,237	140,819
5. **Total RWA and Capital Requirements**				**34,483,686**	**2,075,074**	**32,408,612**	**2,592,689**

3.0 Capital Structure

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

- CET 1 Capital;
- Tier 2 Capital.

3.1 CET1 Capital

CET1 Capital consists of the following:

a) Paid up Capital

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

b) Retained Earnings

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

c) Fair Value Reserve

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

d) Regulatory Reserve

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

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

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

Basel III Subordinated Sukuk Murabahah

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

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

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 30 September 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

3.3 Tier 2 Capital (Cont'd.)

Table 3.2: Capital Structure

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

	30 September 2022 RM'000	31 March 2022 RM'000
CET1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	2,763,757	2,490,692
Fair value reserve	(46,433)	(3,893)
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(338)	(495)
- Deferred tax assets	(71,709)	(61,249)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(78)	(92)
- Other CET 1 regulatory adjustment specified by BNM	190,032	235,578
CET1 Capital/ Tier 1 Capital	4,222,338	4,047,648
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,300,000
General provision*	319,867	256,523
Tier 2 Capital	1,619,867	1,556,523
Total Capital	5,842,205	5,604,171

* Consists of stage 1 and stage 2 loss allowances.

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

	30 September 2022 RM'000	31 March 2022 RM'000
Credit RWA	33,657,465	32,508,336
Less : Credit RWA absorbed by PSIA	(1,570,035)	(2,075,074)
Total Credit RWA	32,087,430	30,433,262
Market RWA	267,148	215,113
Operational RWA	1,862,854	1,760,237
Total Risk Weighted Assets	34,217,432	32,408,612

4.0 General Risk Management

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

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

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

AMMB Group Risk Direction

AMMB Group's FY2021 to FY2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of ≥10%, (2) Sharpening Our Segment Play, (3) Harnessing expertise across AMMB Group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P2ACE") DNA, (7) Integrating Environmental, Social and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

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

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

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

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

- AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
  - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;

4.0 General Risk Management (Cont'd.)

AMMB Group Risk Direction (Cont'd.)

  - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
  - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective from July 2020).

- AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks):

  - Keep operational losses and regulatory penalties below 2% of Profit after Zakat and Taxation ("PAZT"); and
  - Remain vigilant in risk identification and management to protect its reputation and business franchise.

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

- AMMB Group aims to maintain its Rate of Return Risk in Banking Book ("RORBB") Internal Capital Adequacy Assessment Programme ("ICAAP") Pillar 2 over total capital ratio for the Bank at below 8.5%.

Risk Management Governance

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

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

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

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

5.0 Credit Risk Management

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

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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/ or positions as well as Shariah compliance risk (please refer to Section 13 for discussion on Shariah Governance Structure).

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

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

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

5.0 Credit Risk Management (Cont'd.)

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

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

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

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

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

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

5.1 Impairment

The relevant governance for the respective Line of Businesses is established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM’s standards/guidelines. In general, an asset is considered impaired when:-

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

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

5.1.1 AMMB Group Provisioning Methodology

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

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

5.1 Impairment (Cont'd.)

5.1.1 AMMB Group Provisioning Methodology (Cont'd.)

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

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

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

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

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

Change in credit quality since initial recognition

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

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

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

Table 5.1: Distribution of gross credit exposures by sector

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

30 September 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	6,216,551	-	-	-	-	-	6,216,551
Public Sector Entities	-	-	-	-	-	-	-	-	2,107	-	-	-	-	-	2,107
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,091,063	-	-	-	-	-	-	1,091,063
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-	-	442	-	-	-	-	-	-	442
Corporates	2,181,652	989,915	4,314,369	750,747	2,091,435	2,839,764	2,131,753	5,065,072	-	2,351,102	915,996	364,299	48,538	3,589	24,048,231
Regulatory Retail	5,317	2,968	109,414	5,217	38,726	158,749	53,088	2,665	-	6,476	47,660	9,421	16,570,354	41	17,010,096
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	6,970,149	-	6,970,149
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	597	-	597
Other Assets	-	-	-	-	-	-	-	-	96,500	-	-	-	-	123,580	220,080
Defaulted Exposures	559	143,363	32,715	-	5,473	32,971	902	-	-	160,076	660	630	209,595	-	586,944
Total for On Balance Sheet Exposures	2,187,528	1,136,246	4,456,498	755,964	2,135,634	3,031,484	2,185,743	6,159,242	6,315,158	2,517,654	964,316	374,350	23,799,233	127,210	56,146,260
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	95,858	314	-	1,881	-	110,331	-	-	70	-	-	-	208,454
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	70,201	21,693	938,100	101,438	758,682	538,159	179,666	827,472	-	176,538	61,799	37,571	798,398	500	4,510,217
Defaulted Exposures	-	1,731	1	-	99	5	-	-	-	490	-	-	2,936	-	5,262
Total for Off-Balance Sheet Exposures	70,201	23,424	1,033,959	101,752	758,781	540,045	179,666	937,803	-	177,028	61,869	37,571	801,334	500	4,723,933
Total On and Off-Balance Sheet Exposures	**2,257,729**	**1,159,670**	**5,490,457**	**857,716**	**2,894,415**	**3,571,529**	**2,365,409**	**7,097,045**	**6,315,158**	**2,694,682**	**1,026,185**	**411,921**	**24,600,567**	**127,710**	**60,870,193**

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

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

31 March 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activity RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures															
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	5,670,050	-	-	-	-	-	5,670,050
Public Sector Entities	-	-	-	-	-	-	-	-	2,391	-	-	-	-	-	2,391
Banks, DFIs and MDBs	-	-	-	-	-	-	-	1,586,576	-	-	-	-	-	-	1,586,576
Corporates	1,012,293	191,982	4,643,119	519,087	1,864,106	2,707,218	2,473,175	2,443,356	-	2,537,420	782,750	963,981	41,243	2	20,179,732
Regulatory Retail	5,845	2,932	114,439	5,921	43,510	176,812	52,454	2,177	-	6,715	50,350	11,624	15,966,448	1	16,439,228
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	6,082,810	-	6,082,810
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	984	-	984
Other Assets	-	-	-	-	-	-	-	-	96,500	-	-	-	-	90,973	187,473
Defaulted Exposures	1	39,094	37,183	-	6,050	27,079	104,651	-	-	161,316	360	-	124,213	-	499,947
Total for On-Balance Sheet Exposures	1,018,139	234,008	4,794,741	525,008	1,913,666	2,911,109	2,630,280	4,032,109	5,768,941	2,705,451	833,460	975,605	22,215,698	90,976	50,649,191
Off-Balance Sheet Exposures															
OTC Derivatives	-	-	57,699	-	-	401	-	142,136	-	-	-	-	-	-	200,236
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	176,992	25,699	790,062	119,871	945,979	459,378	154,163	154,918	-	313,862	48,379	47,902	673,306	-	3,910,511
Defaulted Exposures	-	3,012	-	-	36	5	-	-	-	484	-	-	1,669	-	5,206
Total for Off-Balance Sheet Exposures	176,992	28,711	847,761	119,871	946,015	459,784	154,163	297,054	-	314,346	48,379	47,902	674,975	-	4,115,953
Total On and Off-Balance Sheet Exposures	**1,195,131**	**262,719**	**5,642,502**	**644,879**	**2,859,681**	**3,370,893**	**2,784,443**	**4,329,163**	**5,768,941**	**3,019,797**	**881,839**	**1,023,507**	**22,890,673**	**90,976**	**54,765,144**

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

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

30 September 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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	625	39,059	35,073	-	17,714	79,724	1,020	-	156,451	697	1,277	282,887	**614,527**
Past due but not impaired financing	84,464	401	7,438	1,722	17,904	44,452	11,062	152	1,246	11,141	535	2,057,159	**2,237,676**
Allowances for expected credit loss	3,068	1,299	71,362	1,041	23,130	53,609	143,185	78,247	11,423	3,025	1,477	218,427	**609,293**
Charges/(Writeback) for individual allowance	-	7,613	1,674	-	2,033	27,635	-	-	(201)	-	621	-	**39,375**
Write-offs against individual allowances	-	130,502	11,961	-	-	23,584	-	-	-	-	-	-	**166,047**

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 Hotel and restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Total RM'000
Impaired financing	2	162,649	51,867	-	15,724	63,135	3,666	-	165,929	388	-	165,182	**628,542**
Past due but not impaired financing	85,907	576	9,251	39	19,901	52,291	10,687	179	7,531	7,827	1,618	1,580,788	**1,776,595**
Allowances for expected credit loss	6,119	123,800	108,044	752	20,534	52,848	128,548	56,141	12,335	3,733	1,304	179,426	**693,584**
Charges/(Writeback) for individual allowance	(905)	279,953	2,119	-	8,665	8,351	(708)	-	13,847	(64)	-	-	**311,258**
Write-offs against individual allowances	-	156,983	23	-	9	599	-	-	13,762	-	-	-	**171,376**

Table 5.3: Geographical distribution of credit exposures

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

30 September 2022	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	6,216,551	-	6,216,551
Public Sector Entities	2,107	-	2,107
Banks, DFIs and MDBs	986,570	104,493	1,091,063
Insurance Companies, Securities Firms and Fund Managers	442	-	442
Corporates	24,048,231	-	24,048,231
Regulatory Retail	17,010,096	-	17,010,096
Residential Mortgages	6,970,149	-	6,970,149
Higher Risk Assets	597	-	597
Other Assets	220,080	-	220,080
Defaulted Exposures	586,944	-	586,944
Total for On Balance Sheet Exposures	56,041,767	104,493	56,146,260
Off-Balance Sheet Exposures			
OTC Derivatives	208,454	-	208,454
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,510,217	-	4,510,217
Defaulted Exposures	5,262	-	5,262
Total for Off-Balance Sheet Exposures	4,723,933	-	4,723,933
Total On and Off-Balance Sheet Exposures	**60,765,700**	**104,493**	**60,870,193**

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

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

31 March 2022	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,670,050	-	5,670,050
Public Sector Entities	2,391	-	2,391
Banks, DFIs and MDBs	1,518,355	68,221	1,586,576
Corporates	20,179,732	-	20,179,732
Regulatory Retail	16,439,228	-	16,439,228
Residential Mortgages	6,082,810	-	6,082,810
Higher Risk Assets	984	-	984
Other Assets	187,473	-	187,473
Defaulted Exposures	499,947	-	499,947
Total for On-Balance Sheet Exposures	50,580,970	68,221	50,649,191
Off-Balance Sheet Exposures			
OTC Derivatives	200,236	-	200,236
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,910,511	-	3,910,511
Defaulted Exposures	5,206	-	5,206
Total for Off-Balance Sheet Exposures	4,115,953	-	4,115,953
Total On and Off-Balance Sheet Exposures	**54,696,923**	**68,221**	**54,765,144**

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

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

30 September 2022	Total
	RM'000
Impaired financing	614,527
Past due but not impaired financing	2,237,676
Allowances for expected credit loss	609,293

31 March 2022	Total
	RM'000
Impaired financing	628,542
Past due but not impaired financing	1,776,595
Allowances for expected credit loss	693,584

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

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

30 September 2022	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	1,598,476	319,686	40,177	1,083,143	742,566	179,940	2,252,563	-	6,216,551
Public Sector Entities	-	-	-	-	225	1,882	-	-	2,107
Banks, DFIs and MDBs	706,454	198,900	-	-	140,793	39,817	5,099	-	1,091,063
Insurance Companies, Securities Firms and Fund Managers	-	-	-	442	-	-	-	-	442
Corporates	7,260,407	2,009,278	2,321,397	2,032,009	2,421,146	1,989,179	6,014,815	-	24,048,231
Regulatory Retail	22,985	32,746	72,219	505,641	612,252	808,591	14,955,662	-	17,010,096
Residential Mortgages	197	14	68	706	7,275	12,623	6,949,266	-	6,970,149
Higher Risk Assets	-	-	-	-	-	-	597	-	597
Other Assets	96,500	-	-	-	-	-	-	123,580	220,080
Defaulted Exposures	228,931	390	910	13,879	12,826	26,470	303,538	-	586,944
Total for On-Balance Sheet Exposures	9,913,950	2,561,014	2,434,771	3,635,820	3,937,083	3,058,502	30,481,540	123,580	56,146,260
Off-Balance Sheet Exposures									
OTC Derivatives	6,153	9,908	37,383	76,711	10,481	67,818	-	-	208,454
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	370,697	630,982	890,688	2,127,628	2,310	2,714	485,198	-	4,510,217
Defaulted Exposures	216	414	25	1,887	-	9	2,711	-	5,262
Total for Off-Balance Sheet Exposures	377,066	641,304	928,096	2,206,226	12,791	70,541	487,909	-	4,723,933
Total On and Off-Balance Sheet Exposures	**10,291,016**	**3,202,318**	**3,362,867**	**5,842,046**	**3,949,874**	**3,129,043**	**30,969,449**	**123,580**	**60,870,193**

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

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

31 March 2022	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No Maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	2,801,388	-	40,627	112,439	352,885	516,816	1,845,895	-	5,670,050
Public Sector Entities	-	-	-	-	-	2,391	-	-	2,391
Banks, DFIs and MDBs	1,377,785	-	15,063	-	142,774	40,727	10,227	-	1,586,576
Corporates	6,656,834	2,086,678	773,981	1,399,667	2,265,708	1,679,616	5,317,248	-	20,179,732
Regulatory Retail	26,126	22,062	35,775	504,387	701,579	911,606	14,237,693	-	16,439,228
Residential Mortgages	129	32	254	400	8,160	12,987	6,060,848	-	6,082,810
Higher Risk Assets	-	-	-	-	-	-	984	-	984
Other Assets	96,500	-	-	-	-	-	-	90,973	187,473
Defaulted Exposures	223,482	2,400	523	16,123	15,036	16,553	225,830	-	499,947
Total for On-Balance Sheet Exposures	11,182,244	2,111,172	866,223	2,033,016	3,486,142	3,180,696	27,698,725	90,973	50,649,191
Off-Balance Sheet Exposures									
OTC Derivatives	1,725	614	11,311	54,764	12,546	119,276	-	-	200,236
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	479,982	321,758	244,926	2,416,841	4,214	52,248	390,542	-	3,910,511
Defaulted Exposures	196	81	1,218	2,238	-	9	1,464	-	5,206
Total for Off-Balance Sheet Exposures	481,903	322,453	257,455	2,473,843	16,760	171,533	392,006	-	4,115,953
Total On and Off-Balance Sheet Exposures	**11,664,147**	**2,433,625**	**1,123,678**	**4,506,859**	**3,502,902**	**3,352,229**	**28,090,731**	**90,973**	**54,765,144**

Table 5.6: Charge offs and recoveries for financing and advances

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

30 September 2022	**(Charge off)/recoveries RM'000**
Bad debts written off during the period	(5,957)
Bad debt recoveries during the period	73,963

31 March 2022	**(Charge off)/recoveries RM'000**
Bad debts written off during the year	(14,658)
Bad debt recoveries during the year	108,598

6.0 Credit Risk Exposure under the Standardised Approach

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

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

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

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

30 September 2022

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,976,439	-	180,610	-	5,241,745	20,869	-	-	96,500	12,516,163	-
20%	-	2,107	615,550	-	1,747,466	109,232	-	-	-	2,474,355	494,871
35%	-	-	-	-	-	-	4,356,055	-	-	4,356,055	1,524,619
50%	-	-	384,644	-	128,774	7,629	2,693,223	-	-	3,214,270	1,607,135
75%	-	-	-	-	-	8,329,747	-	-	-	8,329,747	6,247,311
100%	-	-	-	450	18,595,939	4,862,409	42,628	-	123,580	23,625,006	23,625,006
150%	-	-	-	-	37,978	66,554	-	1,150	-	105,682	158,523
Total	6,976,439	2,107	1,180,804	450	25,751,902	13,396,440	7,091,906	1,150	220,080	54,621,278	33,657,465

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

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

31 March 2022

Risk Weights	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	5,670,050	-	198,565	-	2,093,806	20,900	-	-	96,500	8,079,821	-
20%	-	2,391	1,393,011	-	1,560,835	119,547	-	-	-	3,075,784	615,157
35%	-	-	-	-	-	-	3,854,811	-	-	3,854,811	1,349,184
50%	-	-	131,824	-	124,587	5,021	2,289,384	-	-	2,550,816	1,275,408
75%	-	-	-	-	-	7,770,372	-	-	-	7,770,372	5,827,779
100%	-	-	-	300	18,078,456	5,128,691	22,490	-	90,973	23,320,910	23,320,910
150%	-	-	-	-	45,217	33,111	-	1,604	-	79,932	119,898
Total	5,670,050	2,391	1,723,400	300	21,902,901	13,077,642	6,166,685	1,604	187,473	48,732,446	32,508,336

Table 6.2: Rated Exposures according to Ratings by ECAIs

30 September 2022

Exposure Class	Total	Ratings of Corporate by Approved ECAIs	
Moody's		Aaa to Aa3	Unrated
Fitch		AAA to AA-	Unrated
RAM		AAA to AA3	Unrated
MARC		AAA to AA-	Unrated
	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	2,107	-	2,107
Insurance Companies, Securities Firms and Fund managers	450	-	450
Corporates	27,406,511	1,400,516	26,005,995
Total	**27,409,068**	**1,400,516**	**26,008,552**

31 March 2022

Exposure Class	Total	Ratings of Corporate by Approved ECAIs	
Moody's		Aaa to Aa3	Unrated
Fitch		AAA to AA-	Unrated
RAM		AAA to AA3	Unrated
MARC		AAA to AA-	Unrated
	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures			
Credit Exposures (using Corporate Risk Weights)			
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	2,391	-	2,391
Insurance Companies, Securities Firms and Fund managers	300	-	300
Corporates	23,796,493	1,194,406	22,602,087
Total	**23,799,184**	**1,194,406**	**22,604,778**

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

30 September 2022

Exposure Class	Moody's Fitch RAM MARC Total RM'000	Ratings of Sovereigns and Central Banks by Approved ECAIs Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	6,976,439	6,976,439
Total	**6,976,439**	**6,976,439**

31 March 2022

Exposure Class	Moody's Fitch RAM MARC Total RM'000	Ratings of Sovereigns and Central Banks by Approved ECAIs Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000
On and Off-Balance Sheet Exposures		
Sovereigns and Central Banks	5,670,050	5,670,050
Total	**5,670,050**	**5,670,050**

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

30 September 2022

		Ratings of Banking Institutions by Approved ECAIs		
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Total			
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures				
Banks, DFIs and MDBs	1,180,804	193,391	80,059	907,354
Total	**1,180,804**	**193,391**	**80,059**	**907,354**

31 March 2022

		Ratings of Banking Institutions by Approved ECAIs		
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Total			
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures				
Banks, DFIs and MDBs	1,723,400	645,408	131,958	946,034
Total	**1,723,400**	**645,408**	**131,958**	**946,034**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

Exposures 30 September 2022	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	6,216,551	-	-
Public Sector Entities	2,107	-	-
Banks, DFIs and MDBs	1,091,063	-	-
Insurance Companies, Securities Firms and Fund Managers	442	-	-
Corporates	24,048,231	2,727,733	1,144,801
Regulatory Retail	17,010,096	122,266	5,688,640
Residential Mortgages	6,970,149	-	-
Higher Risk Assets	597	-	-
Other Assets	220,080	-	-
Defaulted Exposures	586,944	10,468	12,056
Total On-Balance Sheet Exposures	56,146,260	2,860,467	6,845,497
Off-Balance Sheet Exposures			
OTC Derivatives	208,454	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,510,217	200,000	1,471,786
Defaulted Exposures	5,262	-	239
Total Off-Balance Sheet Exposures	4,723,933	200,000	1,472,025
Total On and Off-Balance Sheet Exposures	**60,870,193**	**3,060,467**	**8,317,522**

Exposures 31 March 2022	Exposures before CRM RM'000	Exposures covered by guarantees/credit derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	5,670,050	-	-
Public Sector Entities	2,391	-	-
Banks, DFIs and MDBs	1,586,576	-	-
Corporates	20,179,732	266,102	1,395,875
Regulatory Retail	16,439,228	136,770	5,136,824
Residential Mortgages	6,082,810	-	-
Higher Risk Assets	984	-	-
Other Assets	187,473	-	-
Defaulted Exposures	499,947	5,566	1,594
Total for On-Balance Sheet Exposures	50,649,191	408,438	6,534,293
Off-Balance Sheet Exposures			
OTC Derivatives	200,236	-	-
Off Balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,910,511	380,000	1,619,020
Defaulted Exposures	5,206	-	3,520
Total for Off-Balance Sheet Exposures	4,115,953	380,000	1,622,540
Total On and Off-Balance Sheet Exposures	**54,765,144**	**788,438**	**8,156,833**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off-Balance Sheet Exposures

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

30 September 2022

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	481,992		479,600	453,311
Transaction related contingent items	911,588		454,100	368,752
Short term self liquidating trade related	122,426		24,485	23,525
Forward asset purchases	88,640		4,690	1,544
Obligations under an on-going underwriting	180,000		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	759,888		759,888	-
Foreign exchange related contracts	1,533,123	46,852	100,483	100,483
One year or less	786,656	25,620	36,284	36,284
Over one year to five years	746,467	21,232	64,199	64,199
Other commodity contracts	78,656	5,761	10,481	5,240
Over one year to five years	78,656	5,761	10,481	5,240
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,244,506	22,598	97,490	63,581
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	976,074		488,037	354,574
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,222,345		1,991,833	524,354
Unutilised credit card lines	1,564,229		312,846	233,752
Total	15,163,467	75,211	4,723,933	2,129,116

31 March 2022

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	614,836		612,438	432,835
Transaction related contingent items	905,845		451,228	354,784
Short term self liquidating trade related contingencies	81,317		16,263	13,207
Forward asset purchases	10,114		300	300
Obligations under an on-going underwriting agreement	130,000		-	-
Foreign exchange related contracts	1,430,600	2,069	58,103	58,103
One year or less	639,335	2,033	8,177	8,177
Over one year to five years	791,265	36	49,926	49,926
Other commodity contracts	71,367	8,264	12,546	6,273
Over one year to five years	71,367	8,264	12,546	6,273
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	3,138,475	41,328	129,587	69,948
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	896,617		448,165	335,015
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,992,817		2,101,231	537,782
Unutilised credit card lines	1,430,460		286,092	213,855
Total	14,702,448	51,661	4,115,953	2,022,102

9.0 Securitisation

The Bank did not have any securitisation exposure in its trading book and banking book nor did it undertake any securitisation activities during the financial period ended 30 September 2022 and financial year ended 31 March 2022.

10.0 Non-Traded Market Risk ("NTMR")

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

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

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

30 September 2022	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	6,185	(6,185)
Impact on equity	(529,110)	585,812

31 March 2022	Rate of Return + 100 bps RM'000	Rate of Return - 100 bps RM'000
Impact on profit before zakat and taxation	57,690	(57,690)
Impact on equity	(334,775)	375,314

11.0 Equities (Banking Book Positions)

The Bank did not have any equity investment as at 30 September 2022 and 31 March 2022.

12.0 Liquidity Risk and Funding Management

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

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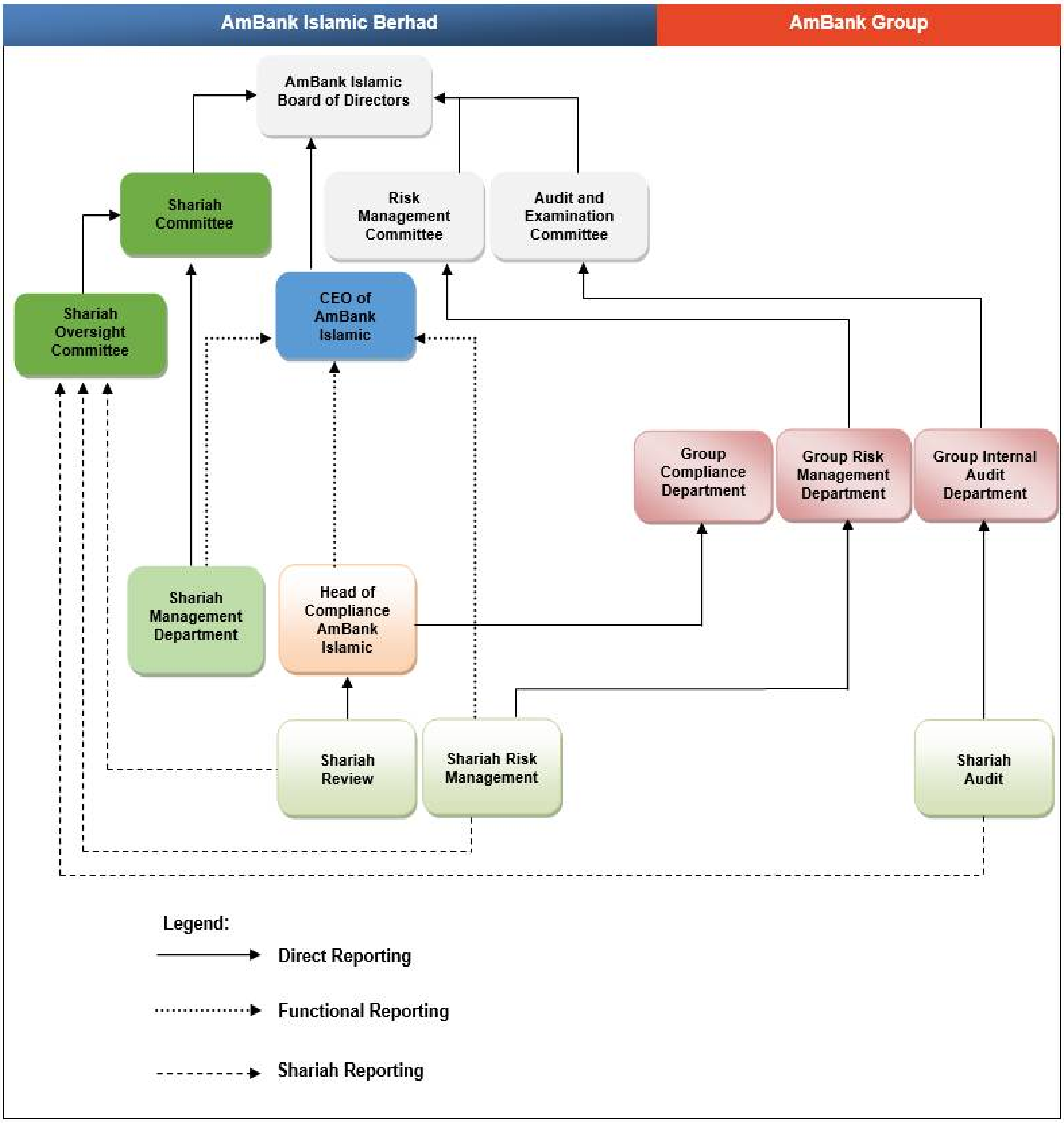
13.0 Shariah Governance Structure



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

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

13.0 Shariah Governance Structure (Cont'd.)

Board of Directors

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

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

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

Shariah Committee

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

Shariah Oversight Committee

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

Senior Management

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

13.0 Shariah Governance Structure (Cont'd.)

Shariah Management Department

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

Shariah Risk Management

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

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

Shariah Review

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

Shariah Audit

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

14.0 Shariah Non-Compliant Income

For the financial period ended 30 September 2022, there was no Shariah non-compliant ("SNC") incidents.

For the financial year ended 31 March 2022, there was no SNC incident.

15.0 Investment Account ("IA")

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

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

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

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

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

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

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

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

15.1 Restricted Investment Account ("RA")

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

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

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

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

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

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

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

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

15.2 Mudarabah Term Investment Account ("MTIA")

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

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

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

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

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

MTIA Performance

As at 30 September 2022, balance of MTIA-i stood at RM14.5 million (31 March 2022: RM361.3 million). The performance of MTIA is as described in the table below :

As at 30 September 2022	**%**
Return on Assets ("ROA")	4.02
Average Net Distributable Income Attributable to the IAH	2.22
Average Profit Sharing Ratio to the IAH	55.35

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