Registration No. 196901000166 (8515-D)

AmBank (M) Berhad
Pillar 3 Disclosure

30 September 2022

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1.0 Scope of Application

The Risk Weighted Capital Adequacy Framework (Basel II) - 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 is applicable to all banking institutions licensed under the Financial Services Act 2013 (“FSA”) which include AmBank (M) Berhad ("the Bank").

The information provided in this Pillar 3 Disclosure of the Bank and its subsidiaries ("the Group") 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 Group and the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 3 May 2019.

Pursuant to BNM's Capital Adequacy Framework (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. 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 the Bank 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).

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 purposes of this Pillar 3 Disclosure, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. 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 engaged in financial activities	Fully consolidated	Deducted from capital at the Bank level; consolidated in the calculation of capital adequacy at the consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the Bank level; consolidated in calculation of capital adequacy at the consolidated level
Associates which are licensed under FSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates which are not licensed under FSA 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 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 strong 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.

2.0 Capital Management (Cont'd.)

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 9 December 2020, BNM issued revised policy document, Capital Adequacy Framework (Capital Components). The key addition to the revised policy document is the transitional arrangement 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 Ratio

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	30 September 2022		31 March 2022	
	Group	**Bank**	**Group**	**Bank**
Under transitional arrangement, refer Note (i)				
CET1 Capital ratio	12.184%	12.087%	11.767%	11.659%
Tier 1 Capital ratio	12.184%	12.087%	11.767%	11.659%
Total Capital ratio	16.847%	16.732%	16.233%	16.109%

Note

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Component) issued on 9 December 2020, the capital ratios of the Group and the Bank had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangement not been applied, the capital ratios of the Group and the Bank as at 30 September 2022 and 31 March 2022 are as follow:

	30 September 2022		31 March 2022	
	Group	**Bank**	**Group**	**Bank**
CET1 Capital ratio	11.839%	11.742%	11.274%	11.168%
Tier 1 Capital ratio	11.839%	11.742%	11.274%	11.168%
Total Capital ratio	16.680%	16.570%	16.086%	15.967%

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

As at 30 September 2022, the gross exposure relating to the RA financing for the Group and the Bank amounted to RM1,555.5 million (31 March 2022: RM1,713.8 million). There were no Stage 3 expected credit losses provided for the RA financing.

Table 2.2 : Risk-Weighted Assets and Capital Requirements

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

30 September 2022 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	12,836,396		12,836,396	11,173	894
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	10,715,159		10,715,159	2,406,425	192,514
Insurance companies, Securities firms and Fund managers	357,039		355,982	355,982	28,479
Corporates	46,002,895		44,689,094	35,964,011	2,877,121
Regulatory retail	23,362,481		22,518,685	17,336,679	1,386,934
Residential mortgages	21,384,489		21,380,976	8,257,669	660,613
Higher risk assets	690,643		690,634	1,035,950	82,876
Other assets	1,695,617		1,695,617	1,394,872	111,590
Securitisation exposures	90		90	1,125	90
Equity exposures	70		70	70	6
Defaulted exposures	946,660		944,077	953,700	76,296
Total on balance sheet exposures	**117,991,539**		**115,826,780**	**67,717,656**	**5,417,413**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,564,972		2,203,454	1,632,505	130,600
Off balance sheet exposures other than OTC derivatives or Credit derivatives	16,893,798		13,557,403	6,689,700	535,176
Defaulted exposures	42,329		40,285	60,240	4,819
Total off balance sheet exposures	**19,501,099**		**15,801,142**	**8,382,445**	**670,595**
Total on and off balance sheet exposures	**137,492,638**		**131,627,922**	**76,100,101**	**6,088,008**
2. **Large exposure risk requirement**	-		-	1,013,810	81,105
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	91,640,242	85,768,595		1,128,212	90,257
- Specific interest rate risk	5,916,471	171,591		23,693	1,895
Foreign currency risk	142,290	164,787		164,787	13,183
Equity risk					
- General risk	49,837	2,156		47,680	3,814
- Specific risk	49,837	2,156		67,452	5,397
Option risk	133,424	186,876		36,280	2,902
Total	**97,932,101**	**86,296,161**		**1,468,104**	**117,448**
4. **Operational risk**				4,997,467	399,797
5. **Total RWA and capital requirements**				**83,579,482**	**6,686,358**

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 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	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	13,660,065		13,660,065	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	9,111,484		9,111,484	2,049,409	163,953
Insurance companies, Securities firms and Fund managers	3,373		3,373	3,373	270
Corporates	45,650,341		44,184,886	36,486,402	2,918,912
Regulatory retail	24,225,355		23,440,013	18,233,949	1,458,716
Residential mortgages	20,468,043		20,463,403	7,870,720	629,658
Higher risk assets	685,720		685,710	1,028,565	82,285
Other assets	1,524,906		1,524,906	1,205,692	96,455
Securitisation exposures	90		90	1,125	90
Equity exposures	79		79	79	6
Defaulted exposures	742,943		737,471	778,314	62,265
Total on balance sheet exposures	**116,072,399**		**113,811,480**	**67,657,628**	**5,412,610**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	1,888,661		1,665,021	1,075,726	86,058
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,656,757		7,291,339	6,444,930	515,594
Defaulted exposures	31,515		26,603	39,746	3,180
Total off balance sheet exposures	**11,576,933**		**8,982,963**	**7,560,402**	**604,832**
Total on and off balance sheet exposures	**127,649,332**		**122,794,443**	**75,218,030**	**6,017,442**
2. **Large exposure risk requirement**	**-**		**-**	980,771	78,462
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	84,312,463	87,887,430		1,254,545	100,364
- Specific interest rate risk	1,608,947	238,868		12,978	1,038
Foreign currency risk	576,266	1,473,544		1,473,545	117,884
Equity risk					
- General risk	36,868	9,928		26,939	2,155
- Specific risk	36,868	9,928		54,450	4,356
Option risk	162,356	167,677		37,037	2,963
Total	**86,733,768**	**89,787,375**		**2,859,494**	**228,760**
3. **Operational risk**				4,802,415	384,193
4. **Total RWA and capital requirements**				**83,860,710**	**6,708,857**

3.0 Capital Structure

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

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

3.1 CET1 Capital

CET1 Capital consists of the following:

a) Paid-up Capital

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

b) Retained Earnings

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

c) Regulatory Reserve

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

d) Merger Reserve

The merger reserve represents reserve arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring and was accounted for using the merger accounting method.

e) 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.

f) 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.

g) Cash Flow Hedging Reserve/(Deficit)

Cash flow hedging reserve/(deficit) comprises the portion of the gain/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gain 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.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments 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, the Bank 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, the Bank 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 30 September 2022 are as follows:

Issue Date	First Call Date	Tenure	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**

Table 3.3: Capital Structure

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

	Group		Bank	
	30 September 2022 RM'000	31 March 2022 RM'000	30 September 2022 RM'000	31 March 2022 RM'000
CET1 Capital				
Share capital	3,040,465	3,040,465	3,040,465	3,040,465
Retained earnings	6,970,044	6,470,027	7,025,653	6,524,068
Fair value reserve	138,641	293,346	138,641	293,346
Foreign currency translation reserve	115,272	88,488	119,060	92,301
Regulatory reserve	149,928	94,463	149,928	94,463
Merger reserve	104,149	104,149	-	-
Cash flow hedging deficit	(6,653)	(9,062)	(6,653)	(9,062)
Less: Regulatory adjustments applied on CET1 Capital				
Intangible assets	(201,993)	(221,538)	(201,993)	(221,538)
Deferred tax assets	(194,183)	(158,227)	(194,183)	(158,227)
55% of cumulative gains in fair value reserve	(76,253)	(161,340)	(76,253)	(161,340)
Cash flow hedging deficit	6,653	9,062	6,653	9,062
Regulatory reserve	(149,928)	(94,463)	(149,928)	(94,463)
Investment in ordinary shares of unconsolidated financial entities	-	-	(11)	(8,488)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,498)	(648)	(1,498)	(648)
Other CET 1 regulatory adjustments specified by BNM	289,060	413,454	289,055	413,471
Total CET1 Capital	**10,183,704**	**9,868,176**	**10,138,936**	**9,813,410**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	2	2	-	-
Total Tier 1 Capital	**10,183,706**	**9,868,178**	**10,138,936**	**9,813,410**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	3,095,000	3,095,000	3,095,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
General provision *	801,856	650,038	801,898	650,081
Total Tier 2 Capital	**3,896,857**	**3,745,039**	**3,896,898**	**3,745,081**
Total Capital	**14,080,563**	**13,613,217**	**14,035,834**	**13,558,491**

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

	Group		Bank	
	30 September 2022 RM'000	31 March 2022 RM'000	30 September 2022 RM'000	31 March 2022 RM'000
Credit RWA	76,100,101	75,218,030	76,415,550	75,535,958
Market RWA	1,468,104	2,859,494	1,468,063	2,859,665
Operational RWA	4,997,467	4,802,415	4,987,424	4,792,198
Large exposure risk RWA for equity holdings	1,013,810	980,771	1,013,810	980,771
Total RWA	**83,579,482**	**83,860,710**	**83,884,847**	**84,168,592**

*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 for the Group to set its risk/reward profile.

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

The Risk Appetite Framework provides portfolio limits/triggers for Credit Risk, Traded Market Risk, Non-Traded Market Risk Operational Risk, 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 Holdings Berhad ("AMMB") Group Risk Direction

AMMB Group's Financial Year 2021 to Financial Year 2024 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 the AMMB Group to Deliver AmBank Holistic Customer Value Proposition, (4) Offer 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.

1. AMMB Group aspires to have a minimum financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. AMMB Group aims to maintain a minimum ROCE of 12% and an RWA efficiency (CRWA/EAD) in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
3. AMMB Group aims to maintain its Total Capital Ratio at the AMMB Group's Internal Capital Target under normal conditions.
4. AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
5. AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
   - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective from July 2020).
6. 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 Taxation and Non-Controlling Interest ("PATMI"); and
   - Remain vigilant in risk identification and management to protect its reputation and business franchise.

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

8 AMMB Group aims to maintain its Interest Rate Risk in Banking Book ("IRRBB") 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 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 also established the 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, compliance risk, reputational risk, product and business risk, IT project risk and ESG risk.

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd.)

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

- is responsible for establishing an enterprise wide risk management framework in all areas including 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 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 Accounts • 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 lending, 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.

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 credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the Bank's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for 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 credits, credit-scoring systems to better differentiate the quality of borrowers 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;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending 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 to Value limits for asset backed loans;
- 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") and 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; and
- Setting Retail risk controls capping for higher risk segment to ensure credit approval practice is aligned with the credit policies and GRAF.

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

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan 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, impairments, flow rates of loan 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 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 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 Group Provisioning Methodology

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

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

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. The 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	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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

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

Table 5.1 : Distribution of gross credit exposures by sector

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

30 September 2022	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	-	-	-	-	12,836,396	-	-	-	-	-	12,836,396
Banks, DFIs and MDBs	-	-	-	-	-	-	-	10,715,159	-	-	-	-	-	-	10,715,159
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	357,039	-	-	-	-	-	-	357,039
Corporates	1,605,642	1,613,243	10,160,248	2,474,017	4,221,563	7,463,279	4,666,384	5,035,175	-	4,934,909	1,242,440	2,068,519	506,304	11,172	46,002,895
Regulatory retail	58,348	15,325	658,616	77,464	477,058	1,293,117	224,949	26,330	-	134,120	417,263	89,085	19,887,247	3,559	23,362,481
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	21,384,489	-	21,384,489
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	13,350	677,293	690,643
Other assets	-	-	-	-	-	-	-	-	73,500	-	-	-	-	1,622,117	1,695,617
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	70	70
Defaulted exposures	6,821	12,642	102,048	3,306	68,743	95,081	15,353	7,846	-	24,125	36,105	6,219	568,371	-	946,660
Total for on balance sheet exposures	1,670,811	1,641,210	10,920,912	2,554,787	4,767,364	8,851,477	4,906,686	16,141,639	12,909,896	5,093,154	1,695,808	2,163,823	42,359,761	2,314,211	117,991,539
Off balance sheet exposures															
OTC derivatives	11,378	237,666	432,520	204	11	27,284	7,784	1,708,047	77,011	-	30,334	3,899	28,834	-	2,564,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	127,441	65,789	1,679,939	310,604	1,929,783	766,570	213,708	3,452,980	5,831,902	396,448	111,564	114,408	1,892,555	107	16,893,798
Defaulted exposures	-	-	7,616	-	16,690	134	2	-	-	3,329	81	-	14,477	-	42,329
Total for off balance sheet exposures	138,819	303,455	2,120,075	310,808	1,946,484	793,988	221,494	5,161,027	5,908,913	399,777	141,979	118,307	1,935,866	107	19,501,099
Total on and off balance sheet exposures	**1,809,630**	**1,944,665**	**13,040,987**	**2,865,595**	**6,713,848**	**9,645,465**	**5,128,180**	**21,302,666**	**18,818,809**	**5,492,931**	**1,837,787**	**2,282,130**	**44,295,627**	**2,314,318**	**137,492,638**

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 2022	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	-	-	-	-	13,660,065	-	-	-	-	-	13,660,065
PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,111,484	-	-	-	-	-	-	9,111,484
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	3,373	-	-	-	-	-	-	3,373
Corporates	1,487,868	1,752,911	10,224,349	1,988,157	3,718,379	7,339,069	3,662,835	4,309,582	-	5,108,339	1,990,025	3,659,837	403,619	5,371	45,650,341
Regulatory retail	52,597	15,320	665,896	78,437	456,977	1,193,638	216,619	23,900	-	130,137	396,511	90,102	20,904,540	681	24,225,355
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	20,468,043	-	20,468,043
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	16,517	669,203	685,720
Other assets	-	-	-	-	-	-	-	-	73,500	-	-	-	-	1,451,406	1,524,906
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	79	79
Defaulted exposures	7,968	3,639	110,175	1,928	51,404	73,812	20,723	1,144	-	20,056	22,317	5,872	423,905	-	742,943
Total for on balance sheet exposures	1,548,433	1,771,870	11,000,420	2,068,522	4,226,760	8,606,519	3,900,177	13,449,573	13,733,565	5,258,532	2,408,853	3,755,811	42,216,624	2,126,740	116,072,399
Off balance sheet exposures															
OTC derivatives	13,428	22,511	272,297	476	-	11,065	227,341	1,293,495	6,308	-	12,712	5,821	23,207	-	1,888,661
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	127,541	79,897	1,910,538	353,460	1,911,741	640,393	264,613	2,069,188		461,061	92,776	107,236	1,637,452	861	9,656,757
Defaulted exposures	-	-	7,891	-	10,860	128	-	-	-	-	81	-	12,555	-	31,515
Total for off balance sheet exposures	140,969	102,408	2,190,726	353,936	1,922,601	651,586	491,954	3,362,683	6,308	461,061	105,569	113,057	1,673,214	861	11,576,933
Total on and off balance sheet exposures	**1,689,402**	**1,874,278**	**13,191,146**	**2,422,458**	**6,149,361**	**9,258,105**	**4,392,131**	**16,812,256**	**13,739,873**	**5,719,593**	**2,514,422**	**3,868,868**	**43,889,838**	**2,127,601**	**127,649,332**

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

The amounts of impaired and past due loans and advances and impairment allowances, charges for individual impairment allowance and write offs during the financial period/year by sector of the Group 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 hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans and advances	9,253	5,033	142,275	6,082	127,722	121,161	16,788	9,332	26,658	46,454	7,224	759,563	-	**1,277,545**
Past due but not impaired loans	8,572	29,795	94,611	18,805	164,044	175,198	43,331	8,231	25,366	67,228	23,929	3,793,200	-	**4,452,310**
Allowances for expected credit losses	3,345	4,954	169,572	8,003	81,818	71,890	12,033	3,744	22,045	25,662	4,879	814,678	4,363	**1,226,986**
Charges/(writeback) for individual allowance	(494)	(173)	(8,213)	(79)	(14,002)	16,802	(115)	-	(101)	(378)	(605)	(11)	-	**(7,369)**
Write-offs against individual allowance/ other movements	-	8,892	16,736	-	(26,010)	22,572	-	-	-	445	-	-	-	**22,635**

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	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans and advances	8,832	13,093	174,821	4,639	96,951	106,915	14,852	1,493	22,237	37,207	6,217	560,245	-	**1,047,502**
Past due but not impaired loans	81,410	9,769	43,188	3,183	118,961	95,154	23,310	2,325	20,411	50,622	21,833	3,273,531	-	**3,743,697**
Allowances for expected credit losses	5,363	15,270	206,004	10,395	66,102	79,465	17,691	3,199	24,546	24,450	5,926	769,010	4,323	**1,231,744**
Charges/(writeback) for individual allowance	(618)	(13,438)	9,913	471	25,517	7,701	(3,748)	-	(710)	2,883	264	(323)	-	**27,911**
Write-offs against individual allowance	-	8,536	8,574	-	30,805	55,303	-	-	1,774	-	-	-	-	**104,992**

Table 5.3 : Geographical distribution of credit exposures

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

30 September 2022	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	12,836,396	-	12,836,396
Banks, DFIs and MDBs	7,304,325	3,410,834	10,715,159
Insurance companies, Securities firms and Fund managers	357,039	-	357,039
Corporates	45,670,236	332,659	46,002,895
Regulatory retail	23,355,889	6,592	23,362,481
Residential mortgages	21,384,489	-	21,384,489
Higher risk assets	689,904	739	690,643
Other assets	1,552,481	143,136	1,695,617
Securitisation exposures	90	-	90
Equity exposures	70	-	70
Defaulted exposures	946,660	-	946,660
Total for on balance sheet exposures	**114,097,579**	**3,893,960**	**117,991,539**
Off balance sheet exposures			
OTC derivatives	1,837,346	727,626	2,564,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	16,853,456	40,342	16,893,798
Defaulted exposures	42,329	-	42,329
Total for off balance sheet exposures	**18,733,131**	**767,968**	**19,501,099**
Total on and off balance sheet exposures	**132,830,710**	**4,661,928**	**137,492,638**

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

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

31 March 2022	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	13,660,065	-	13,660,065
Banks, DFIs and MDBs	6,224,733	2,886,751	9,111,484
Insurance companies, Securities firms and Fund managers	3,373	-	3,373
Corporates	44,747,435	902,906	45,650,341
Regulatory retail	24,219,014	6,341	24,225,355
Residential mortgages	20,468,043	-	20,468,043
Higher risk assets	685,105	615	685,720
Other assets	1,408,222	116,684	1,524,906
Securitisation exposures	90	-	90
Equity exposures	79	-	79
Defaulted exposures	742,915	28	742,943
Total for on balance sheet exposures	**112,159,074**	**3,913,325**	**116,072,399**
Off balance sheet exposures			
OTC derivatives	1,357,851	530,810	1,888,661
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,612,388	44,369	9,656,757
Defaulted exposures	31,515	-	31,515
Total for off balance sheet exposures	**11,001,754**	**575,179**	**11,576,933**
Total on and off balance sheet exposures	**123,160,828**	**4,488,504**	**127,649,332**

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

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

30 September 2022	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,277,545	-	1,277,545
Past due but not impaired loans	4,452,310	-	4,452,310
Allowances for expected credit losses	1,226,817	169	1,226,986

31 March 2022	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,038,331	9,171	1,047,502
Past due but not impaired loans	3,743,697	-	3,743,697
Allowances for expected credit losses	1,219,867	11,877	1,231,744

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:

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	563,031	299,385	120,509	1,547,276	3,208,294	1,361,855	5,736,046	-	12,836,396
Banks, DFIs and MDBs	6,181,649	2,485,079	198,352	737,370	355,410	96,548	660,751	-	10,715,159
Insurance companies, Securities firms and Fund managers	200,944	-	-	24	55,969	100,102	-	-	357,039
Corporates	12,653,021	4,654,589	3,519,172	5,954,652	3,733,486	4,977,503	10,510,472	-	46,002,895
Regulatory retail	156,646	122,467	156,814	2,200,119	1,087,476	3,500,274	16,138,685	-	23,362,481
Residential mortgages	1,088	345	767	2,900	47,905	145,885	21,185,599	-	21,384,489
Higher risk assets	40	10	3	176	390	293	12,438	677,293	690,643
Other assets	450,229	-	-	-	-	-	-	1,245,388	1,695,617
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	70	70
Defaulted exposures	86,406	2,955	2,578	70,940	53,538	62,022	668,221	-	946,660
Total for on balance sheet exposures	**20,293,054**	**7,564,830**	**3,998,195**	**10,513,457**	**8,542,468**	**10,244,482**	**54,912,302**	**1,922,751**	**117,991,539**
Off balance sheet exposures									
OTC derivatives	109,070	195,403	236,657	363,034	428,443	513,113	719,252	-	2,564,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	2,171,804	4,640,777	4,807,137	4,300,151	9,881	2,735	961,313	-	16,893,798
Defaulted exposures	8,325	1,374	33	20,347	341	513	11,396	-	42,329
Total for off balance sheet exposures	**2,289,199**	**4,837,554**	**5,043,827**	**4,683,532**	**438,665**	**516,361**	**1,691,961**	**-**	**19,501,099**
Total on and off balance sheet exposures	**22,582,253**	**12,402,384**	**9,042,022**	**15,196,989**	**8,981,133**	**10,760,843**	**56,604,263**	**1,922,751**	**137,492,638**

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 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	5,470,090	-	304,264	152,700	2,019,905	1,709,273	4,003,833	-	13,660,065
Banks, DFIs and MDBs	5,176,317	1,282,878	-	804,425	1,024,161	108,388	715,315	-	9,111,484
Insurance companies, Securities firms and Fund managers	-	-	-	3,373	-	-	-	-	3,373
Corporates	13,289,553	4,121,534	3,125,875	4,923,184	5,341,527	4,919,978	9,928,690	-	45,650,341
Regulatory retail	217,208	84,498	110,368	2,105,128	1,012,357	3,310,467	17,385,329	-	24,225,355
Residential mortgages	1,044	184	918	4,046	44,846	139,662	20,277,343	-	20,468,043
Higher risk assets	12	5	44	18	537	562	15,339	669,203	685,720
Other assets	474,445	-	-	-	-	-	-	1,050,461	1,524,906
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	79	79
Defaulted exposures	79,351	1,109	1,507	81,041	54,329	41,207	484,399	-	742,943
Total for on balance sheet exposures	**24,708,020**	**5,490,208**	**3,542,976**	**8,073,915**	**9,497,662**	**10,229,537**	**52,810,338**	**1,719,743**	**116,072,399**
Off balance sheet exposures									
OTC derivatives	44,830	89,069	83,881	293,455	377,852	150,823	848,751	-	1,888,661
Credit derivatives	-	-	-	-	-	-	-	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	2,314,252	1,531,045	514,792	4,501,988	13,487	13,306	767,887	-	9,656,757
Defaulted exposures	7,901	18	636	12,671	312	397	9,580	-	31,515
Total for off balance sheet exposures	**2,366,983**	**1,620,132**	**599,309**	**4,808,114**	**391,651**	**164,526**	**1,626,218**	**-**	**11,576,933**
Total on and off balance sheet exposures	**27,075,003**	**7,110,340**	**4,142,285**	**12,882,029**	**9,889,313**	**10,394,063**	**54,436,556**	**1,719,743**	**127,649,332**

5.1 Impairment (Cont'd)

The disclosure on reconciliation of changes to loans impairment allowances of the Group can be found in Note A14(i) of the financial statements.

Table 5.6: Charge offs and recoveries for loans and advances:

	(Charge offs)/ recoveries	
	30 September 2022 RM'000	31 March 2022 RM'000
Bad debts written off during the financial period/year ended	(13,542)	(25,111)
Bad debt recoveries during the financial period/year ended	99,926	171,554

6.0 Credit Risk Exposure under the 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:

30 September 2022	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks	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	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	18,657,126	154,807	-	3,779,356	129,971	-	-	300,745	-	-	23,022,005	-
20%	-	10,434,383	-	6,405,951	1,130,065	-	-	-	-	-	17,970,399	3,594,080
35%	-	-	-	-	-	16,265,990	-	-	-	-	16,265,990	5,693,097
50%	77,011	1,656,942	-	70,848	16,430	5,253,019	-	-	-	-	7,074,250	3,537,125
75%	-	-	-	-	18,415,037	-	-	-	-	-	18,415,037	13,811,278
100%	11,173	-	397,886	40,903,483	4,859,965	146,211	-	1,394,872	-	70	47,713,660	47,713,660
150%	-	-	-	299,562	160,463	-	706,466	-	-	-	1,166,491	1,749,736
1250%	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	**18,745,310**	**12,246,132**	**397,886**	**51,459,200**	**24,711,931**	**21,665,220**	**706,466**	**1,695,617**	**90**	**70**	**131,627,922**	**76,100,101**

31 March 2022	Exposures after netting and credit risk mitigation											
Risk weights	Sovereigns and Central banks	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	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	13,660,065	157,184	-	2,812,348	104,108	-	-	319,214	-	-	17,052,919	-
20%	-	8,914,457	-	6,322,499	1,180,910	-	-	-	-	-	16,417,866	3,283,573
35%	-	-	-	-	-	15,777,251	-	-	-	-	15,777,251	5,522,038
50%	6,308	1,386,561	-	125,453	11,539	4,789,445	-	-	-	-	6,319,306	3,159,653
75%	-	-	-	-	18,145,654	-	-	-	-	-	18,145,654	13,609,241
100%	-	-	22,608	40,940,860	5,692,853	97,179	-	1,205,692	-	79	47,959,271	47,959,271
150%	-	-	-	298,898	120,907	-	702,281	-	-	-	1,122,086	1,683,129
1250%	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	**13,666,373**	**10,458,202**	**22,608**	**50,500,058**	**25,255,971**	**20,663,875**	**702,281**	**1,524,906**	**90**	**79**	**122,794,443**	**75,218,030**

Table 6.2: Rated exposures according to ratings by ECAIs

	30 September 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 Total	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
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)						
Insurance companies, Securities firms and Fund managers	399,403	-	-	-	-	399,403
Corporates	53,296,996	4,898,752	-	13,374	-	48,384,870
Total	**53,696,399**	**4,898,752**	**-**	**13,374**	**-**	**48,784,273**

	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 Total	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
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)						
Insurance companies, Securities firms and Fund managers	22,608	-	-	-	-	22,608
Corporates	52,721,919	4,744,967	-	13,672	-	47,963,280
Total	**52,744,527**	**4,744,967**	**-**	**13,672**	**-**	**47,985,888**

Table 6.2: Rated exposures according to ratings by ECAIs (Cont'd.)

	30 September 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 Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Sovereigns and Central banks	18,745,310	-	-	18,745,310	-	-
Total	**18,745,310**	**-**	**-**	**18,745,310**	**-**	**-**

	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 Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Sovereigns and Central banks	13,666,373	-	-	13,666,373	-	-
Total	**13,666,373**	**-**	**-**	13,666,373	-	**-**

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	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	Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	15,261,445	6,631,129	1,573,199	1,947	-	7,055,170
Total	**15,261,445**	**6,631,129**	**1,573,199**	**1,947**	**-**	**7,055,170**

	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	Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	12,140,744	4,070,050	329,071	129,295	-	7,612,328
Total	**12,140,744**	**4,070,050**	**329,071**	**129,295**	**-**	**7,612,328**

Table 6.3: Securitisation according to ratings by ECAIs

	30 September 2022				
	Ratings of securitisation by approved ECAIs				
	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	Total	AAA to AA-	A+ to A-	Unrated
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 2022				
	Ratings of securitisation by approved ECAIs				
	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	Total	AAA to AA-	A+ to A-	Unrated
Exposure class		**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures					
Securitisation exposures		90	-	-	90
Total		**90**	**-**	**-**	**90**

7.0 Credit Risk Mitigation

Table 7.1 : Credit Risk Mitigation

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

30 September 2022 **Exposures**	**Exposures before CRM RM'000**	**Exposures covered by guarantees RM'000**	**Exposures covered by eligible financial collateral RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	12,836,396	-	-
Banks, DFIs and MDBs	10,715,159	-	-
Insurance companies, Securities firms and Fund managers	357,039	-	5,009
Corporates	46,002,895	419,583	2,506,968
Regulatory retail	23,362,481	1,195,169	1,471,081
Residential mortgages	21,384,489	-	22,665
Higher risk assets	690,643	-	10
Other assets	1,695,617	-	-
Securitisation exposures	90	-	-
Equity exposures	70	-	-
Defaulted exposures	946,660	82,739	8,761
Total for on balance sheet exposures	117,991,539	1,697,491	4,014,494
Off balance sheet exposures			
OTC derivatives	2,564,972	-	543,633
Off balance sheet exposures other than OTC derivatives or Credit derivatives	16,893,798	1,817	4,026,182
Defaulted exposures	42,329	-	3,017
Total for off balance sheet exposures	19,501,099	1,817	4,572,832
Total on and off balance sheet exposures	**137,492,638**	**1,699,308**	**8,587,326**

Table 7.1 : Credit Risk Mitigation (Cont'd.)

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

31 March 2022 **Exposures**	**Exposures before CRM RM'000**	**Exposures covered by guarantees RM'000**	**Exposures covered by eligible financial collateral RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	13,660,065	-	-
Banks, DFIs and MDBs	9,111,484	-	-
Insurance companies, Securities firms and Fund managers	3,373	-	-
Corporates	45,650,341	443,015	2,835,044
Regulatory retail	24,225,355	1,244,591	1,269,428
Residential mortgages	20,468,043	-	25,577
Higher risk assets	685,720	-	10
Other assets	1,524,906	-	-
Securitisation exposures	90	-	-
Equity exposures	79	-	-
Defaulted exposures	742,943	49,194	16,901
Total for on balance sheet exposures	116,072,399	1,736,800	4,146,960
Off balance sheet exposures			
OTC derivatives	1,888,661	-	412,595
Credit derivatives	-	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	9,656,757	2,077	3,103,447
Defaulted exposures	31,515	-	10,867
Total for off balance sheet exposures	11,576,933	2,077	3,526,909
Total on and off balance sheet exposures	**127,649,332**	**1,738,877**	**7,673,869**

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 Group are as follows:

30 September 2022	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	2,365,737		2,260,587	2,047,568
Transaction related contingent items	3,463,175		1,632,133	1,364,034
Short term self liquidating trade related contingencies	970,356		170,639	161,870
Forward asset purchases	319,557		17,876	8,118
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	8,826,412		8,896,319	77,763
Foreign exchange related contracts				
One year or less	23,338,874	289,663	409,841	289,784
Over one year to five years	3,639,442	199,225	458,587	381,253
Over five years	1,364,788	17,528	181,250	164,716
Interest rate related contracts				
One year or less	791,310	3,088	6,316	2,821
Over one year to five years	3,788,233	142,486	208,578	59,041
Over five years	2,694,032	196,658	395,198	129,116
Equity and commodity related contracts				
One year or less	1,515,592	25,271	74,900	53,650
Over one year to five years	81,956	5,771	15,349	2,390
OTC Derivatives transaction subject to valid bilateral netting agreements	53,317,585	666,826	814,953	549,734
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,114,121		988,927	757,150
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	10,918,426		2,210,939	1,770,358
Unutilised credit card lines	3,793,536		758,707	563,079
Total	**123,303,132**	**1,546,516**	**19,501,099**	**8,382,445**

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

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

31 March 2022	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	2,500,325		2,401,972	2,113,408
Transaction related contingent items	3,411,078		1,596,350	1,242,734
Short term self liquidating trade related contingencies	523,110		82,936	75,879
Forward asset purchases	50,143		3,200	2,200
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	19,280,382	34,782	216,642	155,819
Over one year to five years	3,521,211	111,869	388,310	307,229
Over five years	1,114,259	992	144,921	126,483
Interest 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	124,107	46,272
Over five years	2,346,446	97,146	280,462	137,862
Equity and commodity related contracts				
One year or less	1,570,386	47,256	75,866	39,569
Over one year to five years	75,367	8,214	17,008	4,328
OTC Derivatives transaction subject to valid bilateral netting agreements	58,324,085	462,366	633,506	254,853
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,619,911		804,461	633,259
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,640,100		2,330,217	1,827,482
Unutilised credit card lines	3,696,035		739,207	549,154
Total	**115,047,777**	**832,821**	**11,576,933**	**7,560,402**

Table 8.2 : Credit Derivatives Counterparty Credit Risk

The Group did not have any counterparty credit risk exposure as at 30 September 2022 and 31 March 2022.

9.0 Securitisation

Table 9.1: Securitisation (Banking Book)

The securitised exposures of the Group are as follows:

30 September 2022 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial period RM'000
Traditional securitisation originated by the Group				
Banking book				
Mortgage loans	1,100,169	-	1,089,039	-
Total traditional securitisation	**1,100,169**	**-**	**1,089,039**	**-**

31 March 2022 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
Traditional securitisation originated by the Group				
Banking book				
Mortgage loans	1,078,947	-	1,069,023	-
Total traditional securitisation	**1,078,947**	**-**	**1,069,023**	**-**

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

30 September 2022				Distribution of exposures after CRM according to applicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
<u>Traditional securitisation originated by third party</u>								
On Balance Sheet Exposures	-	-	-	-	-	-	-	-
<u>Originated by the Group</u>								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	**90**	**90**	**-**	**-**	**-**	**90**	**-**	**1,125**

31 March 2022				Distribution of exposures after CRM according to applicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
<u>Traditional securitisation originated by third party</u>								
On Balance Sheet Exposures	-	-	-	-	-	-	-	-
<u>Originated by the Group</u>								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	**90**	**90**	**-**	**-**	**-**	**90**	**-**	**1,125**

There is no securities exposure under trading book as at 30 September 2022 and 31 March 2022.

10.0 Non-Traded Market Risk

Non-Traded Market Risk ("NTMR") refers to interest rate risk in the banking book including those arising from balance sheet management activities as covered under the risk appetite.

Table 10.1: Market Risk Sensitivity - Interest Rate Risk in the Banking Book ("IRRBB")

The IRRBB sensitivity for the Group is as follows:

30 September 2022	Interest Rate +100 bps RM'000	Interest Rate -100 bps RM'000
Impact on Profit Before Taxation	52,229	(52,229)
Impact on Equity	(844,234)	933,591

31 March 2022	Interest Rate +100 bps RM'000	Interest Rate -100 bps RM'000
Impact on Profit Before Taxation	134,159	(134,159)
Impact on Equity	(724,488)	801,432

11.0 Equities (Banking Book Positions)

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 financial assets at fair value through profit or loss ("FVTPL") and FVOCI. When this election is used, fair value gains and losses for equity investment at FVTPL are recognised in profit or loss and equity investment at FVOCI are recognised in other comprehensive income.

Table 11.1: Equity investments and capital requirement

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

Non traded equity investments	30 September 2022 RM'000	31 March 2022 RM'000
Value of quoted (publicly traded) equities	66,126	69,805
Value of unquoted (privately held) equities	677,293	669,203
Total	**743,419**	**739,008**
Net realised and unrealised (losses)/gains		
Cumulative realised gains from sales and liquidations	-	8,871
Total unrealised gains/(losses)	5,292	(3,604)
Total	**5,292**	**5,267**
Risk weighted assets		
Equity investments subject to a 100% risk weight	66,126	69,805
Equity investments subject to a 150% risk weight	1,015,939	1,003,805
Total	**1,082,065**	**1,073,610**
Total minimum capital requirement (8%)	**86,565**	**85,889**

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.