

AmBank (M) Berhad

Pillar 3 Disclosure

30 September 2021

**RWCAF - Pillar 3 Disclosure
September 21**

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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 AmBank (M) Berhad ("the Bank") and other banking institutions licensed under the Financial Services Act 2013 ("FSA").

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 institution is required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

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

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 consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the Bank level; consolidated in calculation of capital adequacy at 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 statement of financial position, capital position and any actions impacting the capital levels.

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage the impact of the COVID-19 outbreak, which include allowing banking institutions to drawdown on the capital conservation buffer of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions will be given reasonable time to rebuild the buffers after 31 December 2020 and are expected to restore to the minimum regulatory requirement by 30 September 2021. As at the reporting date, the Group and the Bank continued to maintain sufficient buffer above the CCB and minimum regulatory requirement.

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.

Table 2.1: Capital Adequacy Ratio

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

	30 September 2021		31 March 2021	
	Group	Bank	Group	Bank
Under transitional arrangement, refer Note (i)				
CET1 Capital ratio	12.361%	12.239%	11.215%	11.095%
Tier 1 Capital ratio	12.361%	12.239%	11.215%	11.095%
Total Capital ratio	16.899%	16.760%	15.789%	15.650%

Note

- (i) Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Components) issued on 9 December 2020, capital ratios of the Group and the Bank had been computed applying transitional arrangement on provision for ECL. Under the transitional arrangement, the Bank is allowed to add back the amount of loss allowance for non-credit-impaired exposure (ie. Stage 1 and Stage 2 provisions) to CET1 Capital. Had the transitional arrangement not been applied, the capital ratios of the Group and the Bank as at 30 September 2021 and 31 March 2021 are as follow:

	30 September 2021		31 March 2021	
	Group	Bank	Group	Bank
CET1 Capital ratio	11.543%	11.425%	10.533%	10.415%
Tier 1 Capital ratio	11.543%	11.425%	10.533%	10.415%
Total Capital ratio	16.491%	16.358%	15.511%	15.378%

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 2021, the gross exposure relating to the RA financing for the Group and the Bank amounted to RM1,722.8 million (31 March 2021: RM719.5 million). There was 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 2021	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
Exposure class	RM'000		RM'000	RM'000	RM'000
1. Credit risk					
On balance sheet exposures					
Sovereigns/Central banks	8,907,920		8,907,920	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	7,883,248		7,883,248	2,095,192	167,615
Insurance companies, Securities firms and Fund managers	3		3	3	-
Corporates	42,254,882		40,659,501	32,387,210	2,590,976
Regulatory retail	23,551,208		22,735,702	17,595,496	1,407,640
Residential mortgages	20,722,196		20,717,200	8,002,217	640,177
Higher risk assets	702,727		702,717	1,054,076	84,326
Other assets	1,338,865		1,338,865	1,039,248	83,140
Securitisation exposures	5,627		5,627	2,232	179
Equity exposures	83		83	83	7
Defaulted exposures	702,889		697,992	708,223	56,658
Total on balance sheet exposures	106,069,648		103,648,858	62,883,980	5,030,718
Off balance sheet exposures					
Over the counter ("OTC") derivatives	1,898,130		1,810,346	1,189,634	95,171
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,457,287		6,615,860	5,952,657	476,213
Defaulted exposures	23,354		20,307	30,392	2,431
Total off balance sheet exposures	9,378,771		8,446,513	7,172,683	573,815
Total on and off balance sheet exposures	115,448,419		112,095,371	70,056,663	5,604,533
2. Large exposure risk requirement	-		-	973,169	77,853
3. Market risk					
Interest rate risk					
- General interest rate risk	84,818,586	82,498,444		1,364,128	109,130
- Specific interest rate risk	2,271,050	37,318		13,864	1,109
Foreign currency risk	563,347	1,027,834		1,027,834	82,227
Equity risk					
- General risk	64,767	10,394		54,372	4,350
- Specific risk	64,767	10,394		59,870	4,790
Option risk	200,505	130,262		33,454	2,676
Total	87,983,022	83,714,646		2,553,522	204,282
4. Operational risk				4,650,825	372,066
5. Total RWA and capital requirements				78,234,179	6,258,734

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 2021 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	10,798,245		10,798,245	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	7,617,848		7,617,848	2,195,327	175,626
Insurance companies, Securities firms and Fund managers	741		741	741	59
Corporates	41,140,525		39,536,612	31,816,424	2,545,315
Regulatory retail	23,743,255		22,814,489	17,516,470	1,401,318
Residential mortgages	20,840,153		20,834,619	8,054,718	644,377
Higher risk assets	699,810		699,800	1,049,700	83,976
Other assets	1,466,646		1,466,646	1,138,180	91,054
Securitisation exposures	5,655		5,655	2,238	179
Equity exposures	69		69	69	6
Defaulted exposures	733,420		722,938	745,039	59,603
Total on balance sheet exposures	107,046,367		104,497,662	62,518,906	5,001,513
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,181,698		2,046,621	1,314,861	105,189
Credit derivatives	11		11	5	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,954,619		6,304,412	5,683,234	454,659
Defaulted exposures	29,026		25,577	35,779	2,862
Total off balance sheet exposures	10,165,354		8,376,621	7,033,879	562,710
Total on and off balance sheet exposures	117,211,721		112,874,283	69,552,785	5,564,223
2. Large exposure risk requirement	-		-	877,587	70,207
3. Market risk	Long position		Short position		
Interest rate risk					
- General interest rate risk	99,755,419	96,469,521		1,717,160	137,372
- Specific interest rate risk	3,356,556	91,764		18,496	1,480
Foreign currency risk	582,922	820,148		820,148	65,612
Equity risk					
- General risk	51,416	20,571		30,845	2,468
- Specific risk	51,416	20,571		64,812	5,185
Option risk	83,720	174,680		30,311	2,425
Total	103,881,449	97,597,255		2,681,772	214,542
3. Operational risk				4,515,945	361,276
4. Total RWA and capital requirements				77,628,089	6,210,248

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 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 2021 are as follows:

Issue Date	First Call Date	Tenure	Interest Rate	Nominal value outstanding (RM million)
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	500
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
Total				2,995

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 2021 RM'000	31 March 2021 RM'000	30 September 2021 RM'000	31 March 2021 RM'000
CET1 Capital				
Ordinary share capital (Note 1)	3,040,465	2,590,465	3,040,465	2,590,465
Retained earnings	5,943,924	5,541,997	5,996,174	5,591,998
Fair value reserve	432,739	457,552	432,739	457,552
Foreign currency translation reserve	87,250	84,588	91,074	88,443
Merger reserve	104,149	104,149	-	-
Cash flow hedging deficit	(12,025)	(16,949)	(12,025)	(16,949)
Less: Regulatory adjustments applied on CET1 Capital				
Intangible assets	(227,266)	(254,134)	(227,266)	(254,134)
Deferred tax assets	(111,934)	(95,580)	(111,934)	(95,580)
55% of cumulative gains of FVOCI financial instruments	(238,006)	(251,654)	(238,006)	(251,654)
Cash flow hedging deficit	12,025	16,949	12,025	16,949
Investment in ordinary shares of unconsolidated financial entities	-	-	(8,488)	(8,488)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(635)	(1,197)	(635)	(1,197)
Other CET 1 regulatory adjustments specified by BNM	639,752	529,761	639,761	529,759
Total CET1 Capital	9,670,438	8,705,947	9,613,884	8,647,164
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	2	3	-	-
Total Tier 1 Capital	9,670,440	8,705,950	9,613,884	8,647,164
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	2,995,000	2,995,000	2,995,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
General provision *	555,575	555,575	555,618	555,618
Total Tier 2 Capital	3,550,576	3,550,576	3,550,618	3,550,618
Total Capital	13,221,016	12,256,526	13,164,502	12,197,782

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

	Group		Bank	
	30 September 2021 RM'000	31 March 2021 RM'000	30 September 2021 RM'000	31 March 2021 RM'000
Credit RWA	70,056,663	69,552,785	70,381,275	69,875,702
Market RWA	2,553,522	2,681,772	2,553,693	2,681,941
Operational RWA	4,650,825	4,515,945	4,640,590	4,505,648
Large exposure risk RWA for equity holdings	973,169	877,587	973,169	877,587
Total RWA	78,234,179	77,628,089	78,548,727	77,940,878

Note 1:

On 31 May 2021, the Bank increased its issued and paid-up ordinary share capital by RM450,000,001 by way of issuance of 46,680,498 new ordinary shares at an issue price of RM9.64 per ordinary share. The new ordinary shares issued during the current financial quarter rank pari passu in all respects with the existing ordinary shares of the Bank.

* Consists of loss allowances Stage 1 and Stage 2.

4.0 General Risk Management

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

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

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

The AMMB Holdings Berhad ("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 $\geq 10\%$, (2) Sharpening Our Segment Play, (3) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance (ESG) Considerations into Our Business and (8) Exploring Digital Bank.

1. The AMMB Group aspires to have a minimum financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The 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. The AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
4. The 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. The AMMB Group recognizes 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) at the prevailing regulatory minimum (effective from July 2020).
6. The 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 PATMI¹; and
 - Remain vigilant in risk identification and management to protect its reputation and business franchise.
7. The 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.

Risk Management Governance

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

The Board has also established the Management Committees to assist in managing the risks and businesses of the Group. The Management Committee addresses 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 risk and business and IT project risk.

¹ Profit after tax and non-controlling interest

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd.)

The 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 and emerging risks
- 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
- 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.

Impact of COVID-19

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

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

AMMB Group welcomed the stimulus plan announced by the Government, as relief had been provided to both individuals as well as SMEs and had announced a 24-hour turnaround time for Special Relief Fund applications for SMEs, a scheme largely guaranteed by the Government.

Although some risks within the portfolio has begin emerging post the auto-moratorium period, especially in Retail Banking, the effects of the efforts put in to reach out to customers during the moratorium is seen. The AMMB Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

The Bank has been continuously engaging our SME customers through multiple channels and has been encouraging them to reach out to the Bank if assistance is needed. We have also carried out reviews on our customers, especially those in vulnerable sectors and segments, to ascertain if immediate assistance is required. On-going monitoring of the performance of the larger SMEs is also in place.

Various packages have been set out to mitigate credit risk performance arising from the COVID-19 global pandemic post the completion of the Government's auto-moratorium period. These will be offered to performing customers with a minimum banking vintage relationship with the Bank and includes:

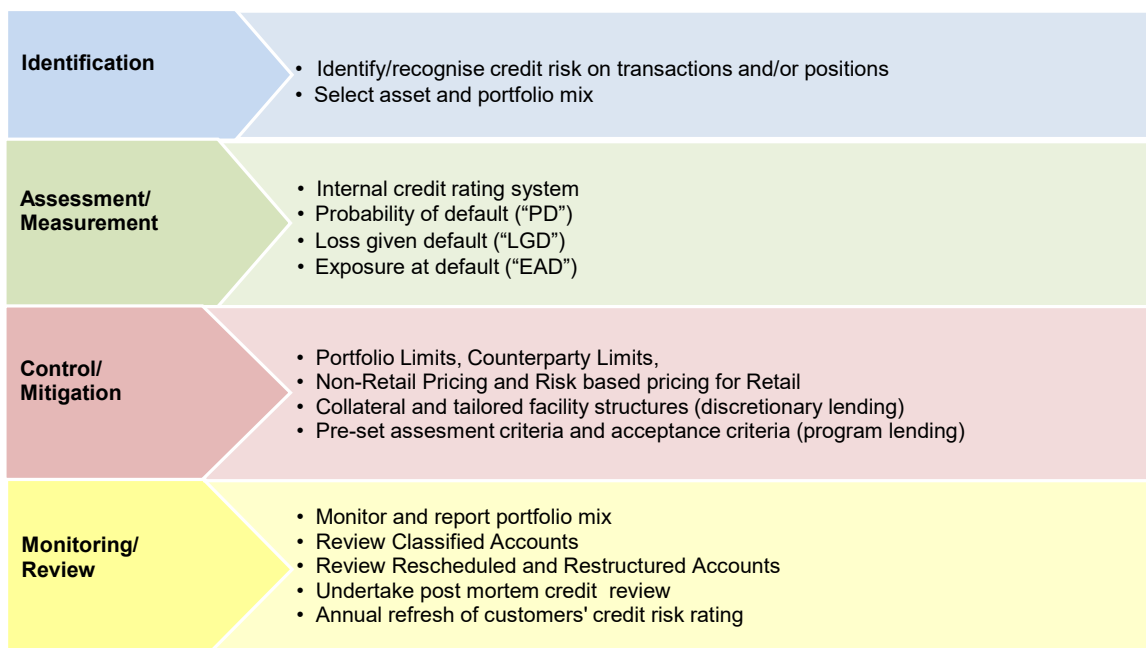
- 1) Reduction of repayment commitments:
 - a. Step-up repayment whilst maintaining the tenure; or
 - b. Extension of tenure.
- 2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants, aviation) has also been undertaken.

Group Risk Management as a whole is working towards monitoring, mitigating and addressing the fast-moving and unknown variables of the COVID-19 pandemic to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

5.0 Credit Risk Management

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



Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, 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.

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.

5.0 Credit Risk Management (Cont'd.)

Lending activities are guided by internal credit policies and Risk Appetite Framework 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"), 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 exceptional credit approval, 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 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 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 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 Classified Account Management ("CAM") governance for the respective Line of Businesses are established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM's standards/guidelines. In general, an asset is considered impaired when:

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

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

5.1.1 Group Provisioning Methodology

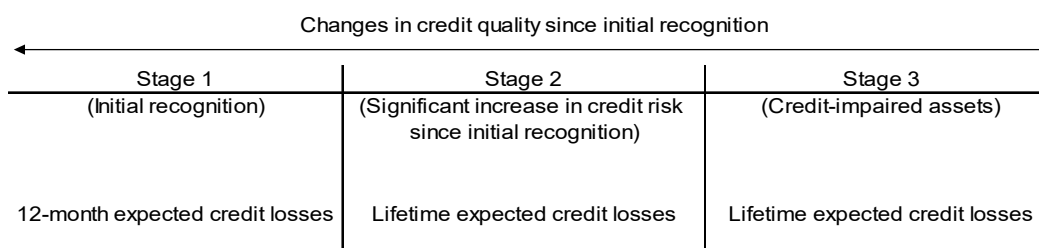
The Group's provisioning methodology complies with MFRS 9 where the Group recognize Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently,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

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

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. The Group calculate 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 in credit risk since initial recognition.
- ii. Stage 2 : For underperforming financial instruments which credit risk had significantly increased since initial recognition.
- iii. Stage 3 : For financial instruments which are credit impaired.

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



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

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

Table 5.1 : Distribution of gross credit exposures by sector

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

30 September 2021	Wholesale and retail trade and hotels and restaurants														Total
	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	
	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	-	-	-	-	-	-	-	-	8,907,920	-	-	-	-	-	8,907,920
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,883,248	-	-	-	-	-	-	7,883,248
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	3	-	-	-	-	-	-	3
Corporates	1,470,140	1,484,964	9,641,372	1,728,572	3,684,231	6,171,736	2,001,965	4,373,773	-	5,485,220	2,002,089	3,865,365	340,458	4,997	42,254,882
Regulatory retail	55,739	15,840	632,602	80,256	453,734	1,133,864	207,001	20,174	-	123,987	398,105	83,485	20,346,421	-	23,551,208
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	20,722,196	-	20,722,196
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,334	684,393	702,727
Other assets	-	-	-	-	-	-	-	-	73,500	-	-	-	-	1,265,365	1,338,865
Securitisation exposures	-	-	-	-	-	-	-	5,627	-	-	-	-	-	-	5,627
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	83	83
Defaulted exposures	9,546	3,772	95,164	2,409	49,422	61,693	13,079	1,082	-	45,640	26,945	3,785	390,352	-	702,889
Total for on balance sheet exposures	1,535,425	1,504,576	10,369,138	1,811,237	4,187,387	7,367,293	2,222,045	12,283,907	8,981,420	5,654,847	2,427,139	3,952,635	41,817,761	1,954,838	106,069,648
Off balance sheet exposures															
OTC derivatives	13,343	20,338	282,792	177	260	7,698	289,198	1,250,949	-	815	8,490	2,199	21,871	-	1,898,130
Off balance sheet exposures other than OTC derivatives or Credit derivatives	98,950	256,966	1,411,585	366,557	1,812,418	671,183	262,470	342,001	-	511,924	93,946	113,354	1,515,445	488	7,457,287
Defaulted exposures	-	-	7,006	-	976	56	-	-	-	3,049	884	-	11,383	-	23,354
Total for off balance sheet exposures	112,293	277,304	1,701,383	366,734	1,813,654	678,937	551,668	1,592,950	-	515,788	103,320	115,553	1,548,699	488	9,378,771
Total on and off balance sheet exposures	1,647,718	1,781,880	12,070,521	2,177,971	6,001,041	8,046,230	2,773,713	13,876,857	8,981,420	6,170,635	2,530,459	4,068,188	43,366,460	1,955,326	115,448,419

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

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

31 March 2021	Wholesale and retail trade and hotels and restaurants														
	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	-	-	-	-	-	-	-	-	10,798,245	-	-	-	-	-	10,798,245
PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,617,848	-	-	-	-	-	-	7,617,848
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	741	-	-	-	-	-	-	741
Corporates	1,352,615	1,567,890	9,435,682	1,968,986	4,481,637	5,917,562	1,783,201	3,426,618	-	5,866,551	2,270,461	2,727,578	339,601	2,143	41,140,525
Regulatory retail	56,297	16,868	632,692	78,092	440,942	1,105,824	197,486	13,015	-	121,449	421,919	82,666	20,576,005	-	23,743,255
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	20,840,153	-	20,840,153
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,419	681,391	699,810
Other assets	-	-	-	-	-	-	-	-	73,500	-	-	-	-	1,393,146	1,466,646
Securitisation exposures	-	-	-	-	-	-	-	5,655	-	-	-	-	-	-	5,655
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	69	69
Defaulted exposures	33,164	4,242	100,176	1,239	38,154	51,879	12,808	1,121	-	65,485	23,514	3,545	398,093	-	733,420
Total for on balance sheet exposures	1,442,076	1,589,000	10,168,550	2,048,317	4,960,733	7,075,265	1,993,495	11,064,998	10,871,745	6,053,485	2,715,894	2,813,789	42,172,271	2,076,749	107,046,367
Off balance sheet exposures															
OTC derivatives	23,845	22,182	281,620	265	1,573	7,061	305,790	1,354,008	38,965	2,276	123,153	514	20,446	-	2,181,698
Credit derivatives	-	-	-	-	-	-	-	11	-	-	-	-	-	-	11
Off balance sheet exposures other than OTC derivatives or Credit derivatives	115,151	280,374	1,136,425	244,094	1,842,985	632,653	202,943	1,252,035	-	562,159	112,171	97,409	1,475,660	560	7,954,619
Defaulted exposures	-	-	6,804	-	5,217	561	-	-	-	5,126	81	-	11,237	-	29,026
Total for off balance sheet exposures	138,996	302,556	1,424,849	244,359	1,849,775	640,275	508,733	2,606,054	38,965	569,561	235,405	97,923	1,507,343	560	10,165,354
Total on and off balance sheet exposures	1,581,072	1,891,556	11,593,399	2,292,676	6,810,508	7,715,540	2,502,228	13,671,052	10,910,710	6,623,046	2,951,299	2,911,712	43,679,614	2,077,309	117,211,721

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 2021	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	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	10,552	35,257	164,885	5,217	112,893	146,107	19,793	1,402	49,947	43,091	5,570	529,646	-	1,124,360
Past due but not impaired loans	92,222	2,005	74,135	4,076	71,121	101,556	20,160	205	22,295	53,317	15,317	3,470,158	-	3,926,567
Allowances for expected credit losses	5,759	39,760	211,644	7,937	98,164	151,144	20,257	7,822	36,371	35,818	6,139	903,836	4,496	1,529,147
Charges/(writeback) for individual allowance	(662)	185	(5,161)	585	12,430	7,373	119	-	106	2,510	130	(104)	-	17,511
Write-offs against individual allowance/ other movements	-	386	112	-	3	57	-	-	124	-	-	-	-	682

31 March 2021	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Finance and insurance RM'000	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	34,709	35,670	163,101	3,421	88,021	131,170	18,988	1,324	69,651	36,569	5,526	569,096	-	1,157,246
Past due but not impaired loans	71,692	1,702	97,536	5,489	158,338	112,048	19,586	297	28,371	57,751	13,540	2,217,855	-	2,784,205
Allowances for expected credit losses	7,307	35,582	155,209	5,426	78,038	116,516	16,208	2,057	24,350	20,902	4,788	971,354	4,772	1,442,509
Charges/(writeback) for individual allowance	1,544	33,444	11,311	2,033	10,784	59,568	(11,635)	-	1,893	4,454	1,425	(3,670)	-	111,151
Write-offs against individual allowance	-	15,500	7,057	-	1,013	2,997	3,580	-	1,823	-	3,466	-	-	35,436

Table 5.3 : Geographical distribution of credit exposures

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

30 September 2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	8,907,920	-	8,907,920
Banks, DFIs and MDBs	5,327,557	2,555,691	7,883,248
Insurance companies, Securities firms and Fund managers	3	-	3
Corporates	41,620,746	634,136	42,254,882
Regulatory retail	23,542,487	8,721	23,551,208
Residential mortgages	20,722,196	-	20,722,196
Higher risk assets	702,112	615	702,727
Other assets	1,192,568	146,297	1,338,865
Securitisation exposures	5,627	-	5,627
Equity exposures	83	-	83
Defaulted exposures	702,843	46	702,889
Total for on balance sheet exposures	102,724,142	3,345,506	106,069,648
Off balance sheet exposures			
OTC derivatives	1,467,862	430,268	1,898,130
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,412,615	44,672	7,457,287
Defaulted exposures	23,354	-	23,354
Total for off balance sheet exposures	8,903,831	474,940	9,378,771
Total on and off balance sheet exposures	111,627,973	3,820,446	115,448,419

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 2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	10,798,245	-	10,798,245
Banks, DFIs and MDBs	4,981,511	2,636,337	7,617,848
Insurance companies, Securities firms and Fund managers	741	-	741
Corporates	40,402,859	737,666	41,140,525
Regulatory retail	23,732,482	10,773	23,743,255
Residential mortgages	20,840,153	-	20,840,153
Higher risk assets	699,294	516	699,810
Other assets	1,360,193	106,453	1,466,646
Securitisation exposures	5,655	-	5,655
Equity exposures	69	-	69
Defaulted exposures	733,376	44	733,420
Total for on balance sheet exposures	103,554,578	3,491,789	107,046,367
Off balance sheet exposures			
OTC derivatives	1,664,550	517,148	2,181,698
Credit derivatives	-	11	11
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,899,644	54,975	7,954,619
Defaulted exposures	29,026	-	29,026
Total for off balance sheet exposures	9,593,220	572,134	10,165,354
Total on and off balance sheet exposures	113,147,798	4,063,923	117,211,721

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 2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,093,376	30,984	1,124,360
Past due but not impaired loans	3,926,567	-	3,926,567
Allowances for expected credit losses	1,496,423	32,724	1,529,147

31 March 2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,126,285	30,961	1,157,246
Past due but not impaired loans	2,784,205	-	2,784,205
Allowances for expected credit losses	1,410,489	32,020	1,442,509

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 2021	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	3,144,923	117,954	555,608	122,244	807,541	2,023,172	2,136,478	-	8,907,920
Banks, DFIs and MDBs	5,254,711	514,942	89,757	10,330	1,029,422	109,903	874,183	-	7,883,248
Insurance companies, Securities firms and Fund managers	-	-	-	3	-	-	-	-	3
Corporates	10,270,719	4,879,451	3,739,048	5,029,616	5,076,538	3,600,970	9,658,540	-	42,254,882
Regulatory retail	158,747	107,537	156,179	2,034,766	1,047,146	3,174,112	16,872,721	-	23,551,208
Residential mortgages	1,214	266	763	3,488	45,607	135,630	20,535,228	-	20,722,196
Higher risk assets	251	-	4	54	483	697	16,845	684,393	702,727
Other assets	485,227	-	-	-	-	-	-	853,638	1,338,865
Securitisation exposures	-	-	-	-	-	-	5,627	-	5,627
Equity exposures	-	-	-	-	-	-	-	83	83
Defaulted exposures	104,490	4,418	1,692	87,257	33,324	45,549	426,159	-	702,889
Total for on balance sheet exposures	19,420,282	5,624,568	4,543,051	7,287,758	8,040,061	9,090,033	50,525,781	1,538,114	106,069,648
Off balance sheet exposures									
OTC derivatives	65,346	74,656	81,586	271,264	353,173	216,866	835,239	-	1,898,130
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,138,307	465,445	925,668	4,267,304	2,345	33,314	624,904	-	7,457,287
Defaulted exposures	1,960	1,234	4,851	5,335	238	273	9,463	-	23,354
Total for off balance sheet exposures	1,205,613	541,335	1,012,105	4,543,903	355,756	250,453	1,469,606	-	9,378,771
Total on and off balance sheet exposures	20,625,895	6,165,903	5,555,156	11,831,661	8,395,817	9,340,486	51,995,387	1,538,114	115,448,419

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

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

31 March 2021	Up to 1 month 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	4,525,597	-	119,837	813,945	618,831	1,853,723	2,866,312	-	10,798,245
Banks, DFIs and MDBs	5,450,560	410,329	4,320	-	907,240	170,801	674,598	-	7,617,848
Insurance companies, Securities firms and Fund managers	-	-	-	741	-	-	-	-	741
Corporates	11,228,960	4,336,009	2,539,306	6,952,150	3,510,115	3,959,917	8,614,068	-	41,140,525
Regulatory retail	159,138	88,200	158,475	2,238,676	1,220,042	3,204,014	16,674,710	-	23,743,255
Residential mortgages	1,068	130	586	3,226	45,217	126,967	20,662,959	-	20,840,153
Higher risk assets	6	-	282	7	425	776	16,923	681,391	699,810
Other assets	485,829	-	-	-	-	-	-	980,817	1,466,646
Securitisation exposures	-	-	-	-	-	-	5,655	-	5,655
Equity exposures	-	-	-	-	-	-	-	69	69
Defaulted exposures	102,146	3,625	7,774	87,582	27,743	70,056	434,494	-	733,420
Total for on balance sheet exposures	21,953,304	4,838,293	2,830,580	10,096,327	6,329,613	9,386,254	49,949,719	1,662,277	107,046,367
Off balance sheet exposures									
OTC derivatives	74,412	160,889	107,746	377,583	147,501	430,716	882,851	-	2,181,698
Credit derivatives	-	-	11	-	-	-	-	-	11
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,328,833	1,144,822	668,122	4,138,872	5,112	49,739	619,119	-	7,954,619
Defaulted exposures	3,896	5,266	1,376	9,436	351	324	8,377	-	29,026
Total for off balance sheet exposures	1,407,141	1,310,977	777,255	4,525,891	152,964	480,779	1,510,347	-	10,165,354
Total on and off balance sheet exposures	23,360,445	6,149,270	3,607,835	14,622,218	6,482,577	9,867,033	51,460,066	1,662,277	117,211,721

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 2021 RM'000	31 March 2021 RM'000
Bad debts written off during the financial period/year ended	(11,332)	(25,980)
Bad debt recoveries during the financial period/year ended	90,285	274,919

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 2021	Exposures after netting and credit risk mitigation											
	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%	8,907,920	154,075	-	2,830,091	-	-	-	299,616	-	-	12,191,702	-
20%	-	6,531,246	-	7,034,391	1,153,781	-	-	-	5,537	-	14,724,955	2,944,991
35%	-	-	-	-	-	15,747,912	-	-	-	-	15,747,912	5,511,769
50%	-	2,396,467	-	105,471	15,508	5,090,812	-	-	-	-	7,608,258	3,804,129
75%	-	-	-	-	18,275,116	-	-	-	-	-	18,275,116	13,706,337
100%	-	-	22,723	36,436,910	4,895,975	70,451	-	1,039,249	-	83	42,465,391	42,465,391
150%	-	-	-	295,354	67,134	-	719,459	-	-	-	1,081,947	1,622,921
1250%	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	8,907,920	9,081,788	22,723	46,702,217	24,407,514	20,909,175	719,459	1,338,865	5,627	83	112,095,371	70,056,663

31 March 2021	Exposures after netting and credit risk mitigation											
	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%	10,798,245	154,670	-	3,290,599	-	-	-	328,466	-	-	14,571,980	-
20%	-	5,840,679	-	5,691,601	1,173,229	-	-	-	5,565	-	12,711,074	2,542,215
35%	-	-	-	-	-	15,792,981	-	-	-	-	15,792,981	5,527,543
50%	-	2,959,379	-	210,760	8,765	5,190,982	-	-	-	-	8,369,886	4,184,943
75%	-	-	-	-	18,767,943	-	-	-	-	-	18,767,943	14,075,957
100%	-	-	27,242	35,894,262	4,432,771	46,459	-	1,138,180	-	69	41,538,983	41,538,983
150%	-	-	-	339,879	64,726	-	716,741	-	-	-	1,121,346	1,682,019
1250%	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	10,798,245	8,954,728	27,242	45,427,101	24,447,434	21,030,422	716,741	1,466,646	5,655	69	112,874,283	69,552,785

Table 6.2: Rated exposures according to ratings by ECAIs

30 September 2021						
Ratings of corporate by approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Total						
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	22,723	-	-	-	-	22,723
Corporates	49,039,469	5,533,441	-	14,347	-	43,491,681
Total	49,062,192	5,533,441	-	14,347	-	43,514,404
31 March 2021						
Ratings of corporate by approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Total						
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	27,242	-	-	-	-	27,242
Corporates	47,800,246	3,588,432	21,169	74,340	-	44,116,305
Total	47,827,488	3,588,432	21,169	74,340	-	44,143,547

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

Exposure class	30 September 2021						
	Ratings of sovereigns and central banks by approved ECAs						
	Moody's Fitch	Total	Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	Ba1 to B3 BB+ to B-	Unrated Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Sovereigns and Central banks		8,907,920	-	-	8,907,920	-	-
Total		8,907,920	-	-	8,907,920	-	-

Exposure class	31 March 2021						
	Ratings of sovereigns and central banks by approved ECAs						
	Moody's Fitch	Total	Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	Ba1 to B3 BB+ to B-	Unrated Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Sovereigns and Central banks		10,798,245	-	-	10,798,245	-	-
Total		10,798,245	-	-	10,798,245	-	-

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

		30 September 2021					
		Ratings of banking institutions by approved ECAIs					
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		Total					
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs		9,126,836	4,096,144	252,141	795,814	1,322	3,981,415
Total		9,126,836	4,096,144	252,141	795,814	1,322	3,981,415

		31 March 2021					
		Ratings of banking institutions by approved ECAIs					
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		Total					
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs		9,839,737	4,615,885	619,842	872,926	-	3,731,084
Total		9,839,737	4,615,885	619,842	872,926	-	3,731,084

Table 6.3: Securitisation according to ratings by ECAs

Exposure class	30 September 2021			
	Ratings of securitisation by approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
MARC	Total	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	5,627	5,537	-	90
Total	5,627	5,537	-	90

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

7.0 Credit Risk Mitigation**Table 7.1 : Credit Risk Mitigation**

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

30 September 2021			
Exposures	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial collateral RM'000
<i>Credit risk</i>			
<u>On balance sheet exposures</u>			
Sovereigns/Central banks	8,907,920	-	-
Banks, DFIs and MDBs	7,883,248	-	-
Insurance companies, Securities firms and Fund managers	3	-	-
Corporates	42,254,882	448,554	2,867,619
Regulatory retail	23,551,208	1,118,018	1,311,080
Residential mortgages	20,722,196	-	28,528
Higher risk assets	702,727	-	10
Other assets	1,338,865	-	-
Securitisation exposures	5,627	-	-
Equity exposures	83	-	-
Defaulted exposures	702,889	42,949	13,283
Total for on balance sheet exposures	106,069,648	1,609,521	4,220,520
<u>Off balance sheet exposures</u>			
OTC derivatives	1,898,130	-	389,698
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,457,287	2,352	1,400,234
Defaulted exposures	23,354	-	3,292
Total for off balance sheet exposures	9,378,771	2,352	1,793,224
Total on and off balance sheet exposures	115,448,419	1,611,873	6,013,744

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 2021			
Exposures	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial collateral RM'000
<i>Credit risk</i>			
<i>On balance sheet exposures</i>			
Sovereigns/Central banks	10,798,245	-	-
Banks, DFIs and MDBs	7,617,848	-	-
Insurance companies, Securities firms and Fund managers	741	-	-
Corporates	41,140,525	463,565	2,922,232
Regulatory retail	23,743,255	1,143,429	1,330,167
Residential mortgages	20,840,153	-	30,999
Higher risk assets	699,810	-	10
Other assets	1,466,646	-	-
Securitisation exposures	5,655	-	-
Equity exposures	69	-	-
Defaulted exposures	733,420	37,257	18,201
Total for on balance sheet exposures	107,046,367	1,644,251	4,301,609
<i>Off balance sheet exposures</i>			
OTC derivatives	2,181,698	-	398,032
Credit derivatives	11	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,954,619	2,894	2,194,394
Defaulted exposures	29,026	-	3,693
Total for off balance sheet exposures	10,165,354	2,894	2,596,119
Total on and off balance sheet exposures	117,211,721	1,647,145	6,897,728

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 2021	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	1,891,931		1,796,078	1,483,550
Transaction related contingent items	3,465,520		1,748,295	1,357,476
Short term self liquidating trade related contingencies	513,023		93,609	89,277
Forward asset purchases	1,053		38	8
Foreign exchange related contracts				
One year or less	16,845,482	67,581	206,109	156,004
Over one year to five years	3,790,553	145,576	459,006	364,180
Over five years	715,934	7,582	90,712	82,678
Interest rate related contracts				
One year or less	312,745	-	376	188
Over one year to five years	3,016,893	29,904	100,224	47,699
Over five years	1,961,078	80,327	261,687	200,460
Equity and commodity related contracts				
One year or less	1,493,517	25,203	70,600	56,131
Over one year to five years	79,149	6,189	14,646	4,067
OTC Derivatives transaction subject to valid bilateral netting agreements	56,903,312	687,972	694,770	278,227
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,375,662		681,145	533,624
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	12,080,258		2,418,725	1,966,785
Unutilised credit card lines	3,713,755		742,751	552,329
Total	108,159,865	1,050,334	9,378,771	7,172,683

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 2021	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	1,557,233		1,402,614	1,211,252
Transaction related contingent items	3,442,831		1,766,248	1,410,190
Short term self liquidating trade related contingencies	654,391		106,334	96,533
Forward asset purchases	657,169		57,078	15,296
Obligations under on-going underwriting agreements	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	825,944		837,672	5,500
Foreign exchange related contracts				
One year or less	26,450,388	162,670	364,448	217,994
Over one year to five years	3,475,019	150,806	463,307	365,704
Over five years	551,219	2,124	68,888	60,048
Interest rate related contracts				
One year or less	365,550	326	801	465
Over one year to five years	2,937,669	33,400	106,654	49,988
Over five years	1,833,937	86,232	261,535	197,964
Equity and commodity related contracts				
One year or less	1,434,390	17,413	73,877	38,316
Over one year to five years	84,682	5,222	13,697	2,819
Credit derivative contracts				
Over one year to five years	347,950	1,347	11	5
OTC Derivatives transaction subject to valid bilateral netting agreements	67,197,626	853,463	828,491	381,563
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,423,498		647,161	511,734
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,941,696		2,414,173	1,908,806
Unutilised credit card lines	3,761,826		752,365	559,702
Total	128,943,018	1,313,003	10,165,354	7,033,879

Table 8.2 : Credit Derivatives Counterparty Credit Risk

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

Usage	Product	30 September 2021		31 March 2021	
		Sell Leg	Buy Leg *	Sell Leg	Buy Leg *
		Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	-	-	197,950	150,000

* No exposure as at 30 September 2021 due to expiry of the credit derivatives contract on 14 September 2021. As at 31 March 2021, out of the total notional exposure for protection bought, RM150.0 million has counterparty credit risk exposure because it was on a fully funded basis.

9.0 Securitisation**Table 9.1: Securitisation (Banking Book)**

The securitised exposures of the Group are as follows:

30 September 2021				
Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial period RM'000
<u>Traditional securitisation originated by the Group</u>				
Banking book				
Mortgage loans	1,058,298	-	1,048,692	-
Total traditional securitisation	1,058,298	-	1,048,692	-

31 March 2021				
Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
<u>Traditional securitisation originated by the Group</u>				
Banking book				
Mortgage loans	1,036,853	-	1,028,904	-
Total traditional securitisation	1,036,853	-	1,028,904	-

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

30 September 2021	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
Securitisation exposures by exposure type								
Traditional securitisation originated by third party								
On Balance Sheet Exposures	5,537	5,537	-	5,537	-	-	-	1,107
Originated by the Group								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	5,627	5,627	-	5,537	-	90	-	2,232

31 March 2021	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after CRM according to applicable risk weights				Risk weighted assets RM'000
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
				20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	
Securitisation exposures by exposure type								
Traditional securitisation originated by third party								
On Balance Sheet Exposures	5,565	5,565	-	5,565	-	-	-	1,113
Originated by the Group								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	5,655	5,655	-	5,565	-	90	-	2,238

There is no securities exposure under trading book as at 30 September 2021 and 31 March 2021.

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 2021	Interest Rate +100 bps RM'000	Interest Rate -100 bps RM'000
Impact on Profit Before Taxation	103,017	(103,017)
Impact on Equity	(703,892)	780,181

31 March 2021	Interest Rate +100 bps RM'000	Interest Rate -100 bps RM'000
Impact on Profit Before Taxation	101,504	(101,504)
Impact on Equity	(619,218)	677,657

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 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 2021 RM'000	31 March 2021 RM'000
Value of quoted (publicly traded) equities	72,561	78,052
Value of unquoted (privately held) equities	684,393	681,391
Total	756,954	759,443
Net realised and unrealised (losses)/gains		
Cumulative realised gains from sales and liquidations	-	-
Total unrealised (losses)/gains	(1,171)	95,613
Total	(1,171)	95,613
Risk weighted assets		
Equity investments subject to a 100% risk weight	72,561	78,052
Equity investments subject to a 150% risk weight	1,026,590	1,022,086
Total	1,099,151	1,100,138
Total minimum capital requirement (8%)	87,932	88,011

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.