

AmBank (M) Berhad
Pillar 3 Disclosure

31 March 2021

RWCAF - Pillar 3 Disclosure
31 March 2021

Contents	Page	
1.0	Scope of Application	1
2.0	Capital Management	2
3.0	Capital Structure	7
4.0	General Risk Management	10
5.0	Credit Risk Management	14
6.0	Credit Risk Exposure under the Standardised Approach	25
7.0	Credit Risk Mitigation	31
8.0	Off Balance Sheet Exposures and Counterparty Credit Risk	34
9.0	Securitisation	38
10.0	Operational Risk	42
11.0	Market Risk	45
12.0	Equities (Banking Book Positions)	47
13.0	Liquidity Risk and Funding Management	48

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. Financial institutions are also required to maintain the following capital buffers:

- (a) a Capital Conservation Buffer ("CCB") of 2.5%;
- (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking 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

These Pillar 3 disclosure of the Group are 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; fully consolidated in the calculation of capital adequacy at 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 approval 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.

2.0 Capital Management (Cont'd.)

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

The 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 balance sheet, capital and liquidity positions.

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

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 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:

Under transitional arrangement, refer Note (i)	2021	
	Group	Bank
CET 1 Capital ratio	11.215%	11.095%
Tier 1 Capital ratio	11.215%	11.095%
Total Capital ratio	15.789%	15.650%

2.0 Capital Management (Cont'd.)

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

	2020	
	Group	Bank
Before deducting proposed dividends:		
CET 1 Capital ratio	12.342%	12.220%
Tier 1 Capital ratio	12.342%	12.220%
Total Capital ratio	16.903%	16.769%
After deducting proposed dividends:		
CET 1 Capital ratio	12.167%	12.046%
Tier 1 Capital ratio	12.167%	12.046%
Total Capital ratio	16.728%	16.595%

Note

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Component) issued on 9 December 2020, the capital ratios as at 31 March 2021 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 are as follow:

	Group	Bank
CET 1	10.533%	10.415%
Tier 1 Capital Ratio	10.533%	10.415%
Total Capital Ratio	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 31 March 2021, the gross exposure relating to the RA financing for the Group and the Bank amounted to RM719.5 million (31 March 2020: RM719.9 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:

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
4. Operational risk				4,515,945	361,276
5. Total RWA and capital requirements				77,628,089	6,210,248

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:

2020 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	15,387,040		15,387,040	35,178	2,814
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	4,277,967		4,277,967	881,108	70,489
Insurance companies, Securities firms and Fund managers	7,010		7,010	7,010	561
Corporates	41,777,920		39,936,866	32,380,406	2,590,432
Regulatory retail	20,643,659		20,448,584	15,417,595	1,233,408
Residential mortgages	20,443,798		20,436,971	7,935,178	634,814
Higher risk assets	607,151		607,141	910,711	72,857
Other assets	1,524,832		1,524,832	1,250,210	100,017
Securitisation exposures	10,780		10,780	3,263	261
Equity exposures	44		44	44	3
Defaulted exposures	921,304		902,265	953,999	76,320
Total on balance sheet exposures	105,601,505		103,539,500	59,774,702	4,781,976
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,772,078		2,635,355	1,758,858	140,709
Credit derivatives	12		12	6	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	14,900,064		7,722,667	6,818,203	545,456
Defaulted exposures	33,332		22,998	34,362	2,749
Total off balance sheet exposures	17,705,486		10,381,032	8,611,429	688,914
Total on and off balance sheet exposures	123,306,991		113,920,532	68,386,131	5,470,890
2. Large exposure risk requirement	-		-	657,669	52,614
3. Market risk	Long position	Short position			
Interest rate risk					
- General interest rate risk	107,888,094	101,012,032		1,807,659	144,613
- Specific interest rate risk	8,776,474	2,031,742		14,553	1,165
Foreign currency risk	127,439	429,657		429,657	34,373
Equity risk					
- General risk	43,833	4,228		39,606	3,168
- Specific risk	43,833	4,228		34,437	2,755
Option risk	176,759	208,370		26,343	2,107
Total	117,056,432	103,690,257		2,352,255	188,181
4. Operational risk				4,232,330	338,586
5. Total RWA and capital requirements				75,628,385	6,050,271

3.0 Capital Structure

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

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

3.1 CET 1 Capital

CET 1 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 CET 1 Capital.

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM.

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 gains/(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 CET 1 Capital.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

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

Basel III Subordinated Notes

On 30 December 2013, 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 31 March 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 CET 1, Additional Tier 1, Tier 2, and Total Capital of the Group and the Bank are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET 1 Capital				
Ordinary share capital (Note 1)	2,590,465	1,940,465	2,590,465	1,940,465
Regulatory reserve	-	311,003	-	311,003
Retained earnings	5,541,997	7,326,502	5,591,998	7,380,683
Fair value reserve	457,552	368,731	457,552	368,847
Foreign currency translation reserve	84,588	95,766	88,443	99,587
Merger reserve	104,149	104,149	-	-
Cash flow hedging deficit	(16,949)	(28,155)	(16,949)	(28,155)
Less: Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(254,134)	(264,492)	(254,134)	(264,492)
Deferred tax assets	(95,580)	(33,475)	(95,580)	(33,439)
55% of cumulative gains of fair value reserve	(251,654)	(202,802)	(251,654)	(202,866)
Cash flow hedging deficit	16,949	28,155	16,949	28,155
Regulatory reserve	-	(311,003)	-	(311,003)
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	(1,197)	(1,086)	(1,197)	(1,086)
Other CET 1 regulatory adjustments specified by BNM	529,761	-	529,759	-
Total CET 1 Capital	8,705,947	9,333,758	8,647,164	9,279,211
Additional Tier 1 Capital				
Qualifying CET 1, Additional Tier 1 capital instruments held by third parties	3	3	-	-
Total Tier 1 Capital	8,705,950	9,333,761	8,647,164	9,279,211
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	2,595,000	2,995,000	2,595,000
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
General provisions*	555,575	854,827	555,618	858,821
Total Tier 2 Capital	3,550,576	3,449,828	3,550,618	3,453,821
Total Capital	12,256,526	12,783,589	12,197,782	12,733,032

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit RWA	69,552,785	68,386,131	69,875,702	68,705,693
Market RWA	2,681,772	2,352,255	2,681,941	2,351,627
Operational RWA	4,515,945	4,232,330	4,505,648	4,217,469
Large exposure risk RWA for equity holdings	877,587	657,669	877,587	657,669
Total RWA	77,628,089	75,628,385	77,940,878	75,932,458

Note 1:

On 30 March 2021, the Bank increased its issued and paid-up ordinary share capital by RM650.0 million through the issuance of 66,394,280 new ordinary shares at an issue price of RM9.79 per ordinary share. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

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

4.0 General Risk Management

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

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/enhancements taking into consideration the prevailing or 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 and Technology Risk incorporating, inter alia, limits/triggers for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and Operational Risk Management ("ORM") tools.

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 maintain the 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 Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4. 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).
5. The AMMB Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
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.

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, IT and cyber risk.

The Board has also established the Management Level 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, market risk, compliance risk, reputational risk, product risk and business and IT project risk.

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, technological 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 organization.

¹ Profit after tax and non-controlling interest

4.0 General Risk Management (Cont'd.)

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. AmBank 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
- 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
 - 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 and enhancing policies and controls.

4.1 Internal Capital Adequacy Assessment Process

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

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

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

The following key principles underpin the ICAAP:

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

- The Group Risk Appetite, including the Bank's target credit rating category;
- Regulatory capital requirements;
- The Group's business plan and strategic objectives; and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Board and Senior Management oversight

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

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

4.1.3 Capital Management Framework

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

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

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

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

4.1.5 Capital allocation:

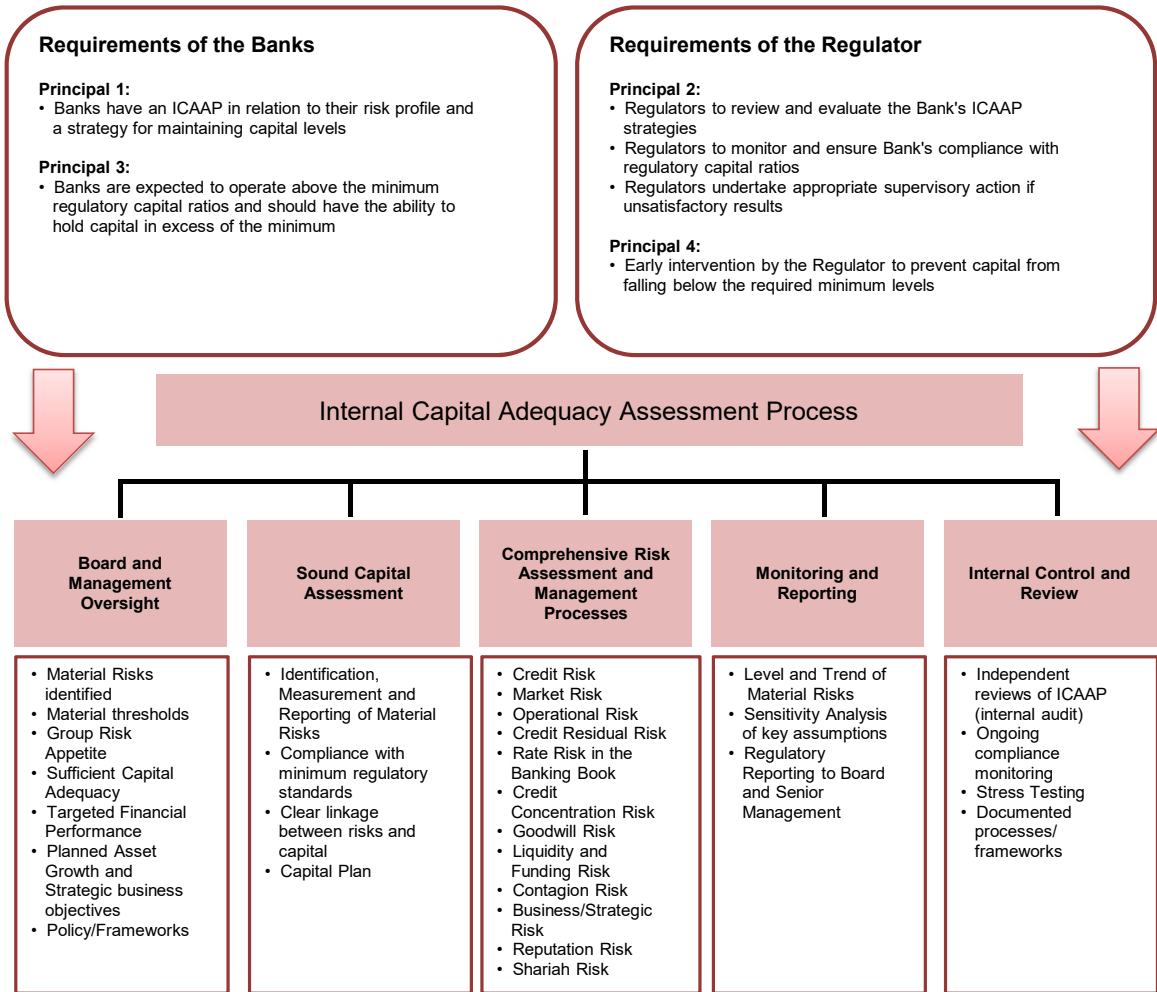
- capital allocation shall be consistent with the AMMB Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

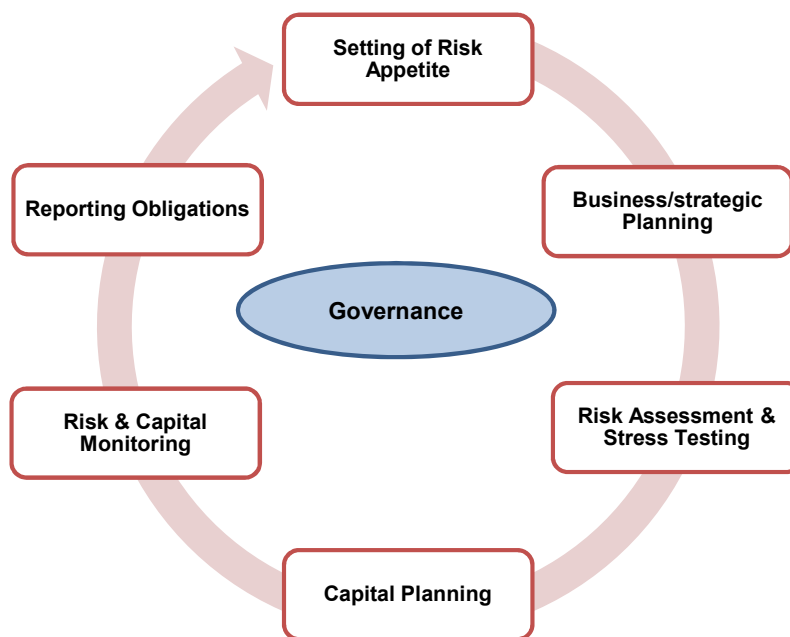
- The Group shall identify and assess the risk materiality on an annual basis;
- Risk assessments shall be conducted at bank-wide level and incorporate both quantitative and qualitative elements; and
- Methodologies to identify and determine the materiality of current risk types, changes to existing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

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

ICAAP Framework



Overview of ICAAP process and setting Internal Capital Targets



5.0 Credit Risk Management

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

Identification	<ul style="list-style-type: none"> • Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	<ul style="list-style-type: none"> • Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	<ul style="list-style-type: none"> • Portfolio Limits, Counterparty Limits, • Non-Retail Pricing and Risk based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assesment criteria and acceptance criteria (program lending)
Monitoring/ Review	<ul style="list-style-type: none"> • Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

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 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"), which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") 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) 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 Group's Classified Account Management ("CAM") Policy and its corresponding Guidelines 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 unlikeliness to repay are hit.

However, in specific and special circumstances, there will be cases where past due exposures (more than 90 days) are not considered to be impaired. These are exposures that are exempted from being classified impaired as sanctioned by the regulator from time to time.

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

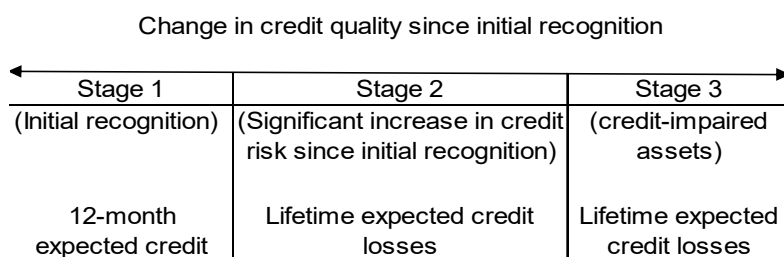
The Group's provisioning methodology complies with MFRS 9 where we recognize Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely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

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	-	-	-	-	-	-	-	-	10,798,245	-	-	-	-	-	10,798,245
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 5.1 : Distribution of gross credit exposures by sector (Cont'd.)

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

2020 (Restated)	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	-	-	-	-	-	-	-	-	15,387,040	-	-	-	-	-	15,387,040
Banks, DFIs and MDBs	-	-	-	-	-	-	-	4,277,967	-	-	-	-	-	-	4,277,967
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	7,010	-	-	-	-	-	-	7,010
Corporates	1,507,425	1,332,361	8,870,743	1,446,711	4,454,605	4,703,177	3,114,933	3,854,715	-	6,042,382	2,158,630	3,016,089	1,271,959	4,190	41,777,920
Regulatory retail	44,495	11,016	460,254	46,294	333,874	775,370	119,645	9,466	-	94,196	270,582	63,059	18,413,511	1,897	20,643,659
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	20,443,798	-	20,443,798
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	18,568	588,583	607,151
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,524,832	1,524,832
Securitisation exposures	-	-	-	-	-	-	-	10,780	-	-	-	-	-	-	10,780
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	44	44
Defaulted exposures	36,547	37,735	174,551	204	34,741	50,968	11,106	-	-	67,557	24,999	5,544	476,910	442	921,304
Total for on balance sheet exposures	1,588,467	1,381,112	9,505,548	1,493,209	4,823,220	5,529,515	3,245,684	8,159,938	15,387,040	6,204,135	2,454,211	3,084,692	40,624,746	2,119,988	105,601,505
Off balance sheet exposures															
OTC derivatives	15,861	33,134	228,306	207	2,019	9,828	607,555	1,697,333	-	3,903	106,315	3,344	64,273	-	2,772,078
Credit derivatives	-	-	-	-	-	-	-	12	-	-	-	-	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	139,854	444,752	1,525,604	372,788	1,821,487	744,127	299,570	1,446,850	5,446,856	579,274	271,704	77,195	1,729,275	728	14,900,064
Defaulted exposures	-	-	3,659	-	7,905	43	79	-	-	9,353	81	-	12,212	-	33,332
Total for off balance sheet exposures	155,715	477,886	1,757,569	372,995	1,831,411	753,998	907,204	3,144,195	5,446,856	592,530	378,100	80,539	1,805,760	728	17,705,486
Total on and off balance sheet exposures	1,744,182	1,858,998	11,263,117	1,866,204	6,654,631	6,283,513	4,152,888	11,304,133	20,833,896	6,796,665	2,832,311	3,165,231	42,430,506	2,120,716	123,306,991

Note 1:

The Group continuously strengthen its regulatory reporting framework. The Group has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Group had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Group makes disclosures pertaining to loans and advances and related allowances for expected credit losses by sector. The comparatives in certain tables are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported total on and off balance sheet exposures.

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

The aggregated amounts of impaired and past due loans and advances, impairment allowances, charges for individual impairment allowances and write offs during the year by sector of the Group are as follows:

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 loans	71,693	32,663	120,769	5,489	158,338	123,085	19,586	297	28,371	57,751	13,540	2,219,074	-	2,850,656
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 and other movement	-	15,500	7,057	-	1,013	2,997	3,580	-	1,823	-	3,466	-	-	35,436

2020 (Restated)*	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	36,745	51,220	218,153	495	81,019	78,793	31,715	2	71,264	35,637	8,734	621,702	-	1,235,479
Past due loans	30,009	58,050	483,397	6,612	323,660	534,755	84,641	93,650	85,603	107,907	34,175	7,856,696	-	9,699,155
Allowances for expected credit losses	8,445	19,240	101,217	3,388	69,394	56,548	30,800	4,090	21,822	13,881	10,123	558,100	-	897,048
Charges/(writeback) for individual allowance	510	20,993	37,033	-	39,022	22,499	18,842	-	(47,165)	1,063	5,243	4,687	-	102,727
Write-offs against individual allowance and other movements	-	17,239	34,449	-	4,539	11,923	1,421	-	54	1,457	2,815	2,981	-	76,878

* Refer to Note 1 in Table 5.1

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:

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 loans	2,819,695	30,961	2,850,656
Allowances for expected credit losses	1,410,489	32,020	1,442,509

2020	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,191,357	44,122	1,235,479
Past due loans	9,655,033	44,122	9,699,155
Allowances for expected credit losses	883,188	13,861	897,049

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:

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

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.):

2020 (Restated)*	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	8,069,871	457,171	843,017	7,090	1,257,607	1,474,456	3,277,828	-	15,387,040
Banks, DFIs and MDBs	2,496,690	303,435	123,665	66,669	93,574	679,537	514,397	-	4,277,967
Insurance companies, Securities firms and Fund managers	-	-	-	7,010	-	-	-	-	7,010
Corporates	10,510,943	4,777,530	2,667,539	7,144,298	5,504,014	3,940,178	7,233,418	-	41,777,920
Regulatory retail	84,582	42,658	69,770	1,783,865	1,614,962	2,787,044	14,260,778	-	20,643,659
Residential mortgages	752	261	1,210	5,124	54,685	146,795	20,234,971	-	20,443,798
Higher risk assets	11	1	-	3	604	860	17,089	588,583	607,151
Other assets	504,840	-	-	-	-	-	-	1,019,992	1,524,832
Securitisation exposures	-	-	-	-	-	-	10,780	-	10,780
Equity exposures	-	-	-	-	-	-	-	44	44
Defaulted exposures	214,853	2,691	5,740	104,324	47,758	67,856	478,082	-	921,304
Total for on balance sheet exposures	21,882,542	5,583,747	3,710,941	9,118,383	8,573,204	9,096,726	46,027,343	1,608,619	105,601,505
Off balance sheet exposures									
OTC derivatives	63,055	128,196	276,199	600,697	80,116	731,792	892,023	-	2,772,078
Credit derivatives	-	-	-	-	12	-	-	-	12
Off balance sheet exposures other than OTC derivatives or Credit derivatives	7,705,333	854,001	795,981	4,780,248	35,348	113,412	615,741	-	14,900,064
Defaulted exposures	2,770	3,433	5,672	11,611	478	435	8,933	-	33,332
Total for off balance sheet exposures	7,771,158	985,630	1,077,852	5,392,556	115,954	845,639	1,516,697	-	17,705,486
Total on and off balance sheet exposures	29,653,700	6,569,377	4,788,793	14,510,939	8,689,158	9,942,365	47,544,040	1,608,619	123,306,991

* Refer Note 1 in Table 5.1

5.1 Impairment (Cont'd)

The disclosure on reconciliation of changes to loans impairment allowances of the Group can be found in Note 14 (i) of the financial statements.

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

Financial year ended 31 March ("FY")	(Charge offs)/ recoveries	
	FY 2021 RM'000	FY 2020 RM'000
Bad debts written off during the financial year	(25,980)	(34,185)
Bad debt recoveries during the financial year	274,919	297,896

6.0 Credit Risk Exposure under the Standardised Approach

The Group uses external ratings for credit exposures to assign risk weights under the Standardized 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:

2021 Risk weights	Exposures after netting and credit risk mitigation												Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
0%	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	

2020 Risk weights	Exposures after netting and credit risk mitigation												Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Sovereigns and Central banks	PSEs	Banks, DFIs and MDBs	Insurance companies, Securities firms and Fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposures	Equity exposures			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
0%	15,503,353	-	102,890	-	3,000,252	-	-	-	274,622	-	-	18,881,117	-	
20%	-	-	4,887,513	-	5,901,190	915,260	-	-	-	10,690	-	11,714,653	2,342,931	
35%	-	-	-	-	-	-	15,254,832	-	-	-	-	15,254,832	5,339,191	
50%	70,356	-	760,961	-	370,476	19,915	5,338,031	-	-	-	-	6,559,739	3,279,870	
75%	-	-	-	-	-	18,573,614	-	-	-	-	-	18,573,614	13,930,210	
100%	-	-	605	23,633	37,972,870	2,512,678	63,814	-	1,250,210	-	44	41,823,854	41,823,854	
150%	-	-	-	-	433,649	54,544	-	624,440	-	-	-	1,112,633	1,668,950	
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125	
Total	15,573,709	-	5,751,969	23,633	47,678,437	22,076,011	20,656,677	624,440	1,524,832	10,780	44	113,920,532	68,386,131	

Table 6.2: Rated exposures according to ratings by ECAIs

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	B1 to D	Unrated	
MARC	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	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
31 MARCH 2020						
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	B1 to D	Unrated	
MARC	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	23,633	-	-	-	-	23,633
Corporates	50,444,582	3,939,027	1,161,635	-	-	45,343,920
Total	50,468,215	3,939,027	1,161,635	-	-	45,367,553

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

31 MARCH 2021						
Ratings of sovereigns and central banks by approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure class	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	-	-

31 MARCH 2020						
Ratings of sovereigns and central banks by approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Sovereigns and Central banks	20,833,896	-	20,763,540	70,356	-	-
Total	20,833,896	-	20,763,540	70,356	-	-

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

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	
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

31 MARCH 2020						
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	
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	6,884,121	3,268,163	606,727	174,631	464	2,834,136
Total	6,884,121	3,268,163	606,727	174,631	464	2,834,136

Table 6.3: Securitisation according to ratings by ECAs

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

31 MARCH 2020				
Ratings of securitisation by approved ECAs				
Moody's		Aaa to Aa3	A1 to A3	Unrated
Fitch		AAA to AA-	A+ to A-	Unrated
RAM		AAA to AA3	A1 to A3	Unrated
MARC		AAA to AA-	A+ to A-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000
<u>On and off balance sheet exposures</u>				
Securitisation exposures	10,780	10,690	-	90
Total	10,780	10,690	-	90

7.0 Credit Risk Mitigation

Collateral taken by the Group

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

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

Processes for collateral management

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

Guarantee Support

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

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

Use of credit derivatives and netting for risk mitigation

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

Transaction structuring to mitigate credit risk

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

Concentrations of credit risk mitigation

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

Table 7.1 : Credit Risk Mitigation

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

2021 Exposures	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial collateral RM'000
Credit risk			
<u>On balance sheet exposures</u>			
Sovereigns/Central banks	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
<u>Off balance sheet exposures</u>			
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

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

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

2020 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	15,387,040	-	-
Banks, DFIs and MDBs	4,277,967	-	-
Insurance companies, Securities firms and Fund managers	7,010	-	-
Corporates	41,777,920	357,413	3,289,872
Regulatory retail	20,643,659	891,152	333,097
Residential mortgages	20,443,798	-	36,082
Higher risk assets	607,151	-	10
Other assets	1,524,832	-	-
Securitisation exposures	10,780	-	-
Equity exposures	44	-	-
Defaulted exposures	921,304	31,164	37,174
Total for on balance sheet exposures	105,601,505	1,279,729	3,696,235
<u>Off balance sheet exposures</u>			
OTC derivatives	2,772,078	-	381,804
Credit derivatives	12	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	14,900,064	3,343	8,080,327
Defaulted exposures	33,332	-	13,346
Total for off balance sheet exposures	17,705,486	3,343	8,475,477
Total on and off balance sheet exposures	123,306,991	1,283,072	12,171,712

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

8.1 Off Balance Sheet exposures

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

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

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

8.2 Counterparty Credit Risk

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

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

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

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

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

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

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

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

Table 8.1: Off Balance Sheet Exposures

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

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 an on-going underwriting agreement	-		-	-
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				
One year or less	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 8.1: Off Balance Sheet Exposures (Cont'd.)

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

2020	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	1,999,189		1,817,132	1,601,353
Transaction related contingent items	3,538,912		1,860,398	1,463,525
Short term self liquidating trade related contingencies	642,162		128,432	114,718
Forward asset purchases	1,829,169		55,788	55,338
Obligations under an on-going underwriting agreement	20,000		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,501,681		6,533,889	1,694
Foreign exchange related contracts				
One year or less	15,897,714	178,812	301,920	202,086
Over one year to five years	3,406,678	181,936	480,773	370,863
Over five years	472,438	16,062	59,887	59,887
Interest rate related contracts				
One year or less	752,863	1,517	5,031	2,396
Over one year to five years	2,591,736	35,575	117,209	32,805
Over five years	1,658,110	115,401	300,409	252,293
Equity and commodity related contracts				
One year or less	1,637,791	206,219	312,366	262,589
Over one year to five years	132,040	17,096	32,081	22,216
Credit derivative contracts				
Over one year to five years	356,069	1,954	12	6
OTC Derivatives transaction subject to valid bilateral netting agreements	73,366,685	1,348,409	1,162,402	553,723
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,620,291		1,709,366	1,320,477
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	12,167,747		2,073,861	1,733,805
Unutilised credit card lines	3,772,652		754,530	561,655
Total	132,363,927	2,102,981	17,705,486	8,611,429

Table 8.2 : Credit Derivatives Counterparty Credit Risk

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

Usage	Product	2021		2020	
		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	206,069	150,000

* Out of the total notional exposure for protection bought as at 31 March 2021, RM150.0 million (2020: RM150.0 million) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

9.1 Objectives, roles and involvement

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

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

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

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

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

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

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

9.3 Governance

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

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

9.4 Risk measurement and reporting of securitisation exposures

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

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

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

9.6 Accounting Policies for Securitisation

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

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

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

9.7 Use of external rating agencies

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

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group are as follows:

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	-

2020				
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	998,870	-	990,128	-
Total traditional securitisation	998,870	-	990,128	-

The Group did not have any exposures under synthetic securities as at 31 March 2021 and 31 March 2020.

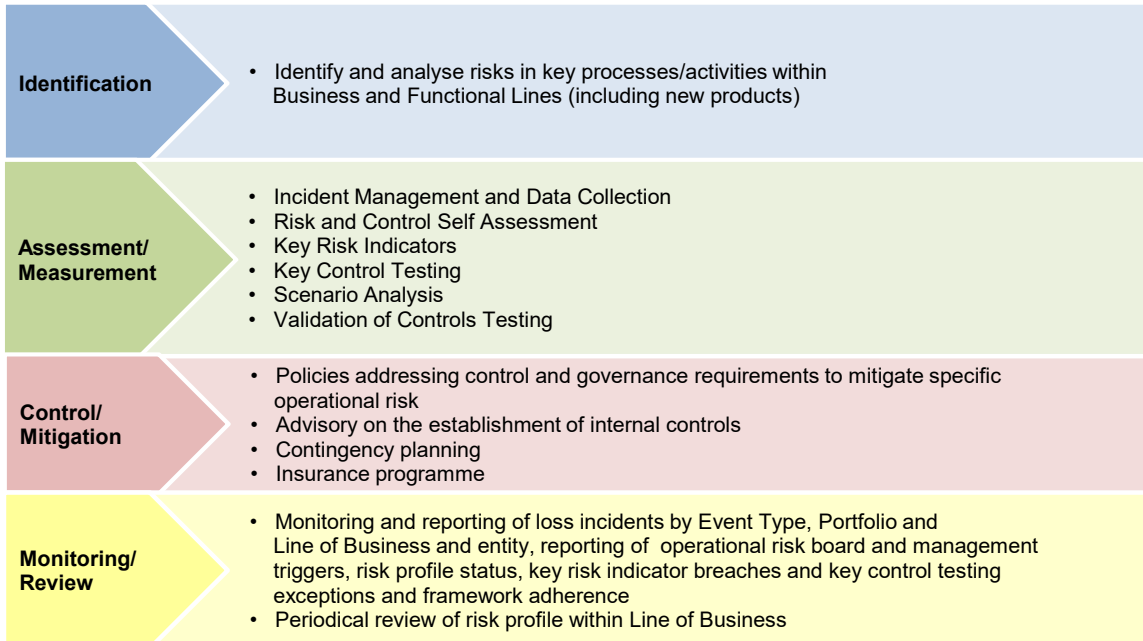
Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

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
2020	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	10,690	10,690	-	10,690	-	-	-	2,138
Originated by the Group								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	10,780	10,780	-	10,690	-	90	-	3,263

There is no securities exposure under trading book as at 31 March 2021 and 31 March 2020.

10.0 Operational Risk

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



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

Operational Risk Appetite (“ORA”) is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Bank is willing to accept, taking into consideration of the relevant financial and non-financial risk or return attributes in order to support the achievement of Bank’s strategic plan and business objectives. The ORA statements and measurements are classified based on operational loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

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

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

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

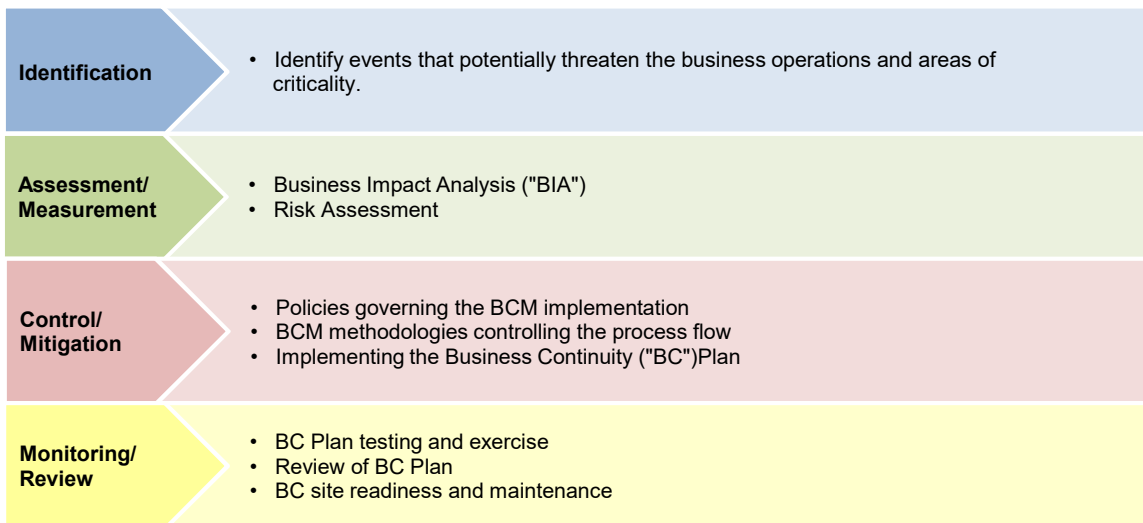
10.0 Operational Risk (Cont'd.)

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

- the Incident Management and Data Collection (“IMDC”) module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- the Risk and Control Self Assessment (“RCSA”) is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- the Key Risk Indicators (“KRI”) module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- the KCT is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.
- Periodic validation of the RCSA/ KRIs/ KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.
- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

10.1 Business Continuity Management

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



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

10.1 Business Continuity Management (Cont'd.)

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

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

10.2 Cyber risk management

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

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

The Group has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

10.3 Legal Risk

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

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

10.4 Regulatory Compliance Risk

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

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

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

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

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

11.0 Market Risk

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

11.1 Traded Market Risk

The TMR management process is depicted in the table below.



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

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

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

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

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

11.1 Traded Market Risk (Cont'd.)

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

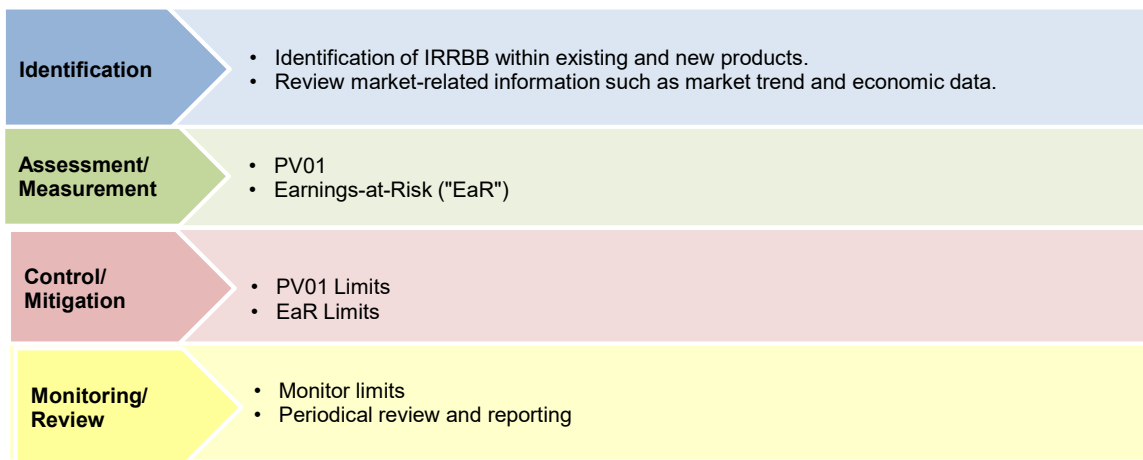
IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.2 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.

Interest Rate Risk in the Banking Book (“IRRBB”)

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



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

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

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

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

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

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

11.2 Non-Traded Market Risk (Cont'd.)**Interest Rate Risk in the Banking Book ("IRRBB") (Cont'd.)**

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

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

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

Table 11.1: Market Risk Sensitivity - IRRBB

The IRRBB sensitivity for the Group is as follows:

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

2020	Interest Rate +100 bps	Interest Rate -100 bps
Currency (MYR)	RM'000	RM'000
Impact on Profit Before Taxation	29,876	(29,876)
Impact on Equity	(575,145)	631,075

12.0 Equities (Banking Book Positions)

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

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

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

Table 12.1: Equity investments and capital requirement

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

Non traded equity investments	2021 RM'000	2020 RM'000
Value of quoted (publicly traded) equities	78,052	74,357
Value of unquoted (privately held) equities	681,391	588,583
Total	759,443	662,940
Net realised and unrealised gains/(losses)		
Cumulative realised gains from sales and liquidations	-	-
Total unrealised gains/(losses)	95,613	51,343
Total	95,613	51,343
Risk weighted assets		
Equity investments subject to a 100% risk weight	78,052	74,357
Equity investments subject to a 150% risk weight	1,022,086	882,875
Total	1,100,138	957,232
Total minimum capital requirement (8%)	88,011	76,579

13.0 Liquidity Risk and Funding Management

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

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

Identification	<ul style="list-style-type: none"> Identify liquidity risk within existing and new business activities Review market-related information such as market trend and economic data Keep abreast with regulatory requirements
Assessment/ Measurement	<ul style="list-style-type: none"> Liquidity Coverage Ratio ("LCR") Net Stable Funding Ratio ("NSFR") Depositor Concentration Ratios Other Detailed Controls
Control/ Mitigation	<ul style="list-style-type: none"> LCR Limits NSFR Limits/Triggers Depositor Concentration Ratios Other Detailed Limits/Triggers
Monitoring/ Review	<ul style="list-style-type: none"> Monitor limits Periodical review and reporting

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

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

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

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

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

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

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