Registration No. 196901000166 (8515-D)

AmBank (M) Berhad
Pillar 3 Disclosure

31 March 2024

Contents

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 15 December 2023 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 18 December 2023.

Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 (“CET1”) Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

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

1.1 Basis of Consolidation

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

For the purposes of this Pillar 3 Disclosure, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting treatment	
	Statutory reporting	**Basel III regulatory reporting**
Subsidiaries licensed under FSA or engaged in financial activities	Fully consolidated	Deducted from capital at the Bank level; consolidated in the calculation of capital adequacy at the consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the Bank level; consolidated in calculation of capital adequacy at the consolidated level
Associates which are licensed under FSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates which are not licensed under FSA or engaged in financial activities	Equity accounted	Risk weighted

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

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

2.0 Capital Management

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

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

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

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

The capital that the Group is required to hold is determined by its risk exposures after applying collaterals and other risk mitigants.

The Group has in place processes and controls to monitor and manage capital adequacy across the organisation. The Group Assets and Liabilities Committee (“GALCO”) is responsible for overseeing and managing the Group’s capital and liquidity positions.

2.0 Capital Management (Cont'd.)

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

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020 in which the Group is allowed to add back a portion of the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from Financial Year 2021 to Financial Year 2024.

Table 2.1: Capital Adequacy Ratio

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

	2024		2023	
	Group	**Bank**	**Group**	**Bank**
Under transitional arrangement, refer Note (i)				
Before deducting proposed dividend				
CET1 Capital ratio	13.559%	13.437%	12.450%	12.318%
Tier 1 Capital ratio	13.559%	13.437%	12.450%	12.318%
Total Capital ratio	18.201%	18.057%	17.026%	16.867%
After deducting proposed dividend				
CET1 Capital ratio	13.047%	12.927%	12.259%	12.129%
Tier 1 Capital ratio	13.047%	12.927%	12.259%	12.129%
Total Capital ratio	17.688%	17.547%	16.835%	16.677%

Note

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Component) issued on 15 December 2023, the capital ratios of the Group and the Bank had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangement not been applied, the capital ratios of the Group and the Bank as at 31 March 2024 and 31 March 2023 are as follow:

	2024		2023	
	Group	**Bank**	**Group**	**Bank**
Before deducting proposed dividend				
CET1 Capital ratio	13.306%	13.185%	12.101%	11.972%
Tier 1 Capital ratio	13.306%	13.185%	12.101%	11.972%
Total Capital ratio	17.993%	17.856%	16.825%	16.675%
After deducting proposed dividend				
CET1 Capital ratio	12.794%	12.675%	11.911%	11.783%
Tier 1 Capital ratio	12.794%	12.675%	11.911%	11.783%
Total Capital ratio	17.480%	17.346%	16.635%	16.486%

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 2024, the gross exposure (inclusive interest receivable disclosed in other assets) relating to the RA financing for the Group and the Bank amounted to RM1,370.0 million (31 March 2023: RM1,541.9 million). There were no Stage 2 and 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:

2024 Exposure class	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")		Net exposures/ EAD after CRM	Risk weighted assets	Minimum capital requirement at 8%
	RM'000		RM'000	RM'000	RM'000
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/Central banks	13,253,366		13,253,366	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	8,742,924		8,742,924	1,907,495	152,600
Insurance companies, Securities firms and Fund managers	4,341		4,341	4,341	347
Corporates	54,600,996		52,815,851	41,607,763	3,328,621
Regulatory retail	23,703,620		22,820,520	16,710,188	1,336,815
Residential mortgages	23,580,895		23,578,027	9,049,871	723,989
Higher risk assets	9,567		9,567	14,351	1,148
Other assets	2,239,396		2,239,396	1,012,286	80,983
Securitisation exposures	90		90	1,125	90
Equity exposures	715,624		715,624	715,624	57,250
Defaulted exposures	1,141,741		1,134,942	1,038,410	83,073
Total on balance sheet exposures	**127,992,560**		**125,314,648**	**72,061,454**	**5,764,916**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,124,638		1,859,719	1,073,539	85,883
Off balance sheet exposures other than OTC derivatives or Credit derivatives	15,642,939		8,862,485	7,194,172	575,534
Defaulted exposures	47,015		39,855	59,360	4,749
Total off balance sheet exposures	**17,814,592**		**10,762,059**	**8,327,071**	**666,166**
Total on and off balance sheet exposures	**145,807,152**		**136,076,707**	**80,388,525**	**6,431,082**
2. **Large exposure risk requirement**	-		-	-	-
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	87,887,117	82,542,652		1,372,564	109,805
- Specific interest rate risk	5,442,032	162,153		30,471	2,438
Foreign currency risk	109,284	162,938		162,938	13,035
Equity risk					
- General risk	63,969	9,220		54,749	4,380
- Specific risk	63,969	9,220		45,006	3,600
Option risk	575,067	403,939		43,212	3,457
Total	**94,141,438**	**83,290,122**		**1,708,940**	**136,715**
4. **Operational risk**				5,379,189	430,335
5. **Total RWA and capital requirements**				**87,476,654**	**6,998,132**

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:

2023 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	16,495,634		16,495,634	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks ("MDBs")	9,612,842		9,612,842	1,972,060	157,765
Insurance companies, Securities firms and Fund managers	320		320	320	26
Corporates	50,575,306		48,934,335	39,062,586	3,125,006
Regulatory retail	23,751,481		22,827,346	17,535,289	1,402,823
Residential mortgages	22,318,987		22,315,540	8,649,803	691,984
Higher risk assets	11,283		11,283	16,925	1,354
Other assets	1,750,600		1,750,600	1,400,879	112,070
Securitisation exposures	90		90	1,125	90
Equity exposures	677,338		677,338	677,338	54,187
Defaulted exposures	964,066		956,852	928,462	74,277
Total on balance sheet exposures	**126,157,947**		**123,582,180**	**70,244,787**	**5,619,582**
Off balance sheet exposures					
Over the counter ("OTC") derivatives	2,129,972		1,758,366	1,196,757	95,741
Off balance sheet exposures other than OTC derivatives or Credit derivatives	26,909,729		20,266,975	7,228,834	578,307
Defaulted exposures	76,155		66,923	83,634	6,691
Total off balance sheet exposures	**29,115,856**		**22,092,264**	**8,509,225**	**680,739**
Total on and off balance sheet exposures	**155,273,803**		**145,674,444**	**78,754,012**	**6,300,321**
2. **Large exposure risk requirement**	-		-	785,485	62,839
3. **Market risk**	**Long position**	**Short position**			
Interest rate risk					
- General interest rate risk	94,074,020	85,145,063		1,186,622	94,930
- Specific interest rate risk	9,220,390	314,545		19,866	1,590
Foreign currency risk	147,076	264,931		264,932	21,195
Equity risk					
- General risk	48,687	2,692		45,995	3,680
- Specific risk	48,687	2,692		53,535	4,283
Option risk	246,694	173,720		53,440	4,275
Total	**103,785,554**	**85,903,643**		**1,624,390**	**129,953**
3. **Operational risk**				5,197,465	415,797
4. **Total RWA and capital requirements**				**86,361,352**	**6,908,910**

3.0 Capital Structure

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

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

3.1 CET1 Capital

CET1 Capital consists of the following:

a) Paid-up Capital

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

b) Retained Earnings

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

c) Regulatory Reserve

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

d) Merger Reserve

The merger reserve represents reserve arising from the acquisitions of subsidiaries which were accounted for using the merger accounting method in prior years.

e) Foreign Currency Translation Reserve

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's and the Bank's functional 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 CET1 Capital.

3.2 Additional Tier 1 Capital

On 11 October 2023, the Bank established a new Basel III compliant Subordinated Notes programme of RM8.0 billion ("AT1/ Tier 2 Programme") to enable the issuance of Additional Tier 1 and Tier 2 capital instruments from time to time. The Programme's tenure is perpetual.

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

3.3 Tier 2 Capital

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

Basel III Subordinated Notes

On 30 December 2013, AmBank established a Basel III compliant Subordinated Notes programme of RM4.0 billion (“Tier 2 Programme”) to enable the issuance of Tier 2 capital instruments from time to time. The Tier 2 Programme has a tenure of 30 years from the date of the first issuance under the Tier 2 Programme. Each issuance of Tier 2 Subordinated Notes under the Tier 2 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 Tier 2 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 Tier 2 Subordinated Notes issued under the RM 4.0 billion Tier 2 programme and outstanding as at 31 March 2024 are as follows:

Issue Date	First Call Date	Tenure	Interest Rate	Nominal value outstanding (RM million)
30 March 2021	30 March 2026	10 years Non-Callable 5 years	4.18% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.30% per annum	600
12 October 2022	12 October 2027	10 years Non-Callable 5 years	5.20% per annum	745
28 March 2023	28 March 2028	10 years Non-Callable 5 years	4.58% per annum	350
27 June 2023	27 June 2028	10 years Non-Callable 5 years	4.59% per annum	500
Total				**2,595**

On 11 October 2023, AmBank established a new Basel III compliant Subordinated Notes programme of RM8.0 billion ("AT1/ Tier 2 Programme") to enable the issuance of Additional Tier 1 and Tier 2 capital instruments from time to time. The Programme's tenure is perpetual.

The salient features of the Tier 2 Subordinated Notes issued under this AT1/ Tier 2 Programme and outstanding as at 31 March 2024 are as follows:

Issue Date	First Call Date	Tenure	Interest Rate	Nominal value outstanding (RM million)
3 November 2023	3 November 2028	10 years Non-Callable 5 years	4.55% per annum	500

Table 3.3: Capital Structure

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

	Group		Bank	
	2024	**2023**	**2024**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET1 Capital				
Share capital	3,040,465	3,040,465	3,040,465	3,040,465
Retained earnings	8,512,335	7,456,999	8,561,556	7,508,139
Fair value reserve	411,695	299,138	411,695	299,138
Foreign currency translation reserve	121,067	101,830	124,851	105,630
Regulatory reserve	188,146	201,229	188,146	201,229
Merger reserve	104,149	104,149	-	-
Cash flow hedging deficit	(1,029)	(4,259)	(1,029)	(4,259)
Less: Regulatory adjustments applied on CET1 Capital				
Intangible assets	(123,528)	(202,069)	(123,528)	(202,069)
Deferred tax assets	(198,535)	(182,451)	(198,535)	(182,451)
55% of cumulative gains in fair value reserve	(226,432)	(164,526)	(226,432)	(164,526)
Cash flow hedging deficit	1,029	4,259	1,029	4,259
Regulatory reserve	(188,146)	(201,229)	(188,146)	(201,229)
Investment in ordinary shares of unconsolidated financial entities	-	-	(1)	(11)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,354)	(2,756)	(1,354)	(2,756)
Other CET 1 regulatory adjustments specified by BNM	221,507	300,815	221,599	300,721
Total CET1 Capital	**11,861,369**	**10,751,594**	**11,810,316**	**10,702,280**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	2	2	-	-
Total Tier 1 Capital	**11,861,371**	**10,751,596**	**11,810,316**	**10,702,280**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	3,095,000	3,095,000	3,095,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
General provision *	965,228	857,075	965,363	857,088
Total Tier 2 Capital	**4,060,229**	**3,952,076**	**4,060,363**	**3,952,088**
Total Capital	**15,921,600**	**14,703,672**	**15,870,679**	**14,654,368**

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

	Group		Bank	
	2024	**2023**	**2024**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit RWA	80,388,525	78,754,012	80,811,594	79,287,050
Market RWA	1,708,940	1,624,390	1,708,904	1,624,350
Operational RWA	5,379,189	5,197,465	5,370,458	5,186,909
Large exposure risk RWA for equity holdings	-	785,485	-	785,485
Total RWA	**87,476,654**	**86,361,352**	**87,890,956**	**86,883,794**

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

4.0 General Risk Management

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

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

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

AMMB Holdings Berhad ("AMMB") Group Risk Direction

AMMB Group's Financial Year 2021 to Financial Year 2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of ≥10%, (2) Sharpening Our Segment Play, (3) Harnessing Expertise Across the AMMB Group to Deliver AmBank Holistic Customer Value Proposition, (4) Offer Differentiated and Profitable Products, (5) Building Capacity and Efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P^{2}ACE") DNA, (7) Integrating Environmental, Social and Governance ("ESG") Focusing on Responsible Banking and (8) Exploring Digital Bank Option.

1. AMMB Group aspires to have a minimum financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. AMMB Group aims to maintain a minimum ROCE of 12% and an RWA efficiency (CRWA/EAD) in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
3. AMMB Group aims to maintain its Total Capital Ratio at the AMMB Group's Internal Capital Target under normal conditions.
4. AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
5. AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
   - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective July 2020).
6. AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   - Keep operational losses and regulatory penalties below 0.8% of Profit After Taxation and Non-Controlling Interest ("PATMI"); and
   - Remain vigilant in risk identification and management to protect its reputation and business franchise.

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

8 AMMB Group aims to maintain its Interest Rate Risk in Banking Book ("IRRBB") ICAAP Pillar 2 over total capital ratio for the Bank at below 8.5%.

Risk Management Governance

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

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

4.0 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd.)

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

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

Impact of Expired Payment Holiday/ Repayment Assistance

Consumer and small SMEs that are still on payment holiday and repayment assistance ("PH/RA") plans due to the Covid-19 pandemic is no longer a significant part of the portfolio however, the Group remains cautious of the quality of this portfolio, especially those that have expired from multiple enrolments of the assistance programs. Close monitoring is being carried out on the remaining accounts in this segment and the portfolio has been assessed to ensure sufficient provisions have been allocated accordingly.

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the AMMB Group's 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 Group's target credit rating category;
- Regulatory capital requirements;
- The Board and Management's targeted financial performance; and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Board and Senior Management oversight
The ICAAP must be subject to Board and Senior Management oversight, forms an integral part of the 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 stakeholders 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 Internal Capital Adequacy Assessment Process (Cont'd.)

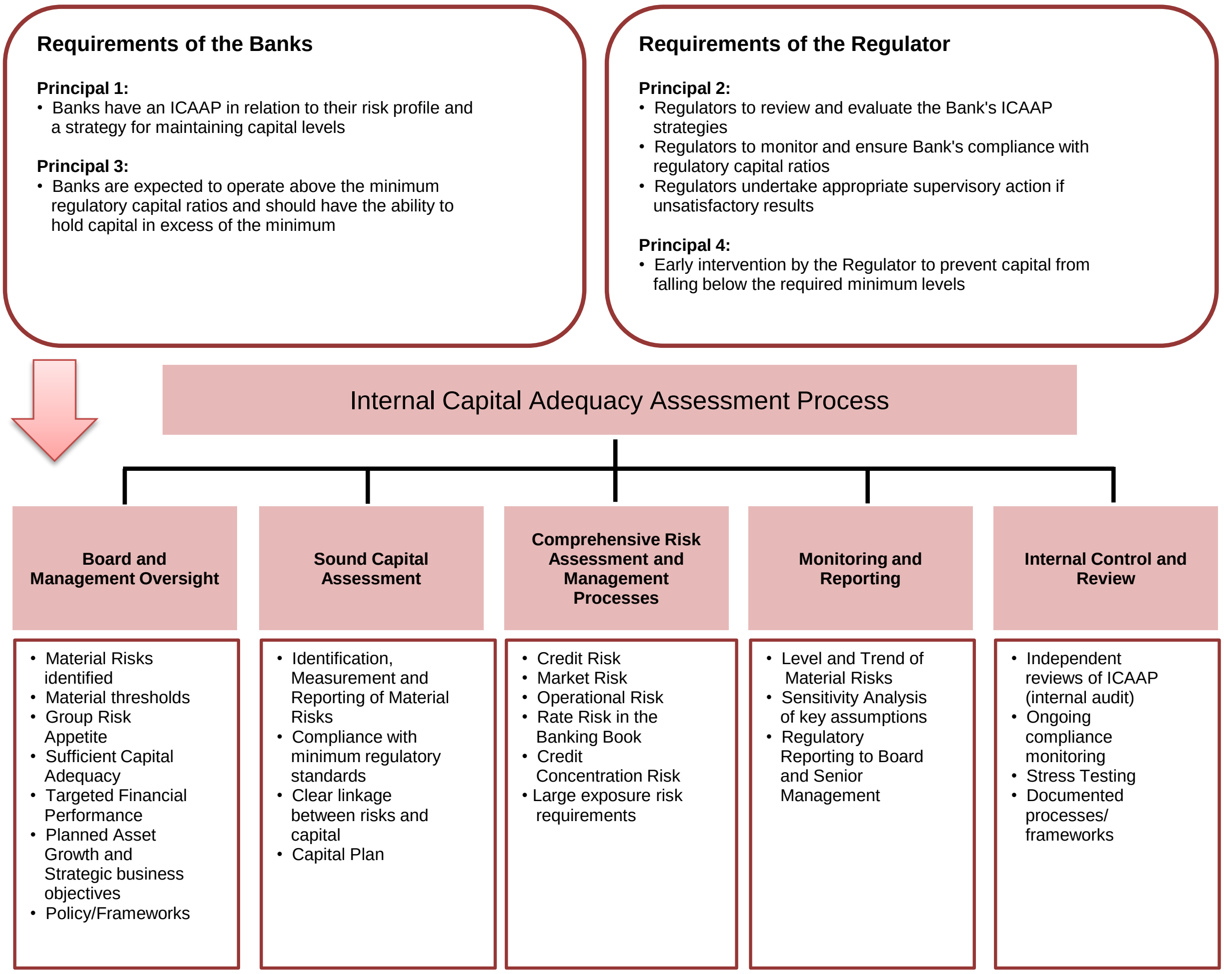
4.1.5 Capital allocation:

- 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 AMMB 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.

ICAAP Framework



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

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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

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

5.0 Credit Risk Management (Cont'd.)

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.

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

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure.
- Setting Loan to Value limits for asset backed loans;
- Non-Retail Credit Policy ("NRCP") and Retail Credit Policy ("RCP"), which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") and Retail Banking ("RB") portfolios;
- Classified Account Management requirements are in place for the non-retail portfolio, this sets out the identification and management (including monitoring requirements) of customers that exhibit significant increase in credit risk or show symptoms of potential credit issues.
- Rescheduled and Restructured (“R&R”) Account Management (embedded within the NRCP for WB and BB and RCP for RB) sets out the controls in managing R&R loans; and
- Setting Retail risk controls capping for higher risk segment to ensure credit approval practice is aligned with the credit policies and GRAF.

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

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

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

5.1 Impairment

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

a. The obligor has breached its contractual payment obligations and past due for more than 90 days; and

b. As soon as default occurs where the principal and/or interest repayments/payments are scheduled on intervals of 3 months or longer; or

c. Other impairment indicators stipulated in the relevant guidelines.

Impaired accounts which undergo restructuring/ rescheduling will continue to be impaired for at least 6 months.

5.1.1 Group Provisioning Methodology

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

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

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

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

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

Change in credit quality since initial recognition

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

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

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

Table 5.1 : Distribution of gross credit exposures by sector

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

2024	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	13,253,366	-	-	-	-	-	13,253,366
Banks, DFIs and MDBs	-	-	-	-	-	-	-	8,742,924	-	-	-	-	-	-	8,742,924
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	4,341	-	-	-	-	-	-	4,341
Corporates	1,828,287	1,657,815	11,130,400	2,463,342	5,787,461	9,757,486	3,172,308	6,982,532	-	7,544,882	1,420,017	2,213,128	593,749	49,589	54,600,996
Regulatory retail	57,376	14,632	740,873	25,473	468,104	1,504,499	267,832	29,314	-	170,029	475,784	97,864	19,835,115	16,725	23,703,620
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	23,580,895	-	23,580,895
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	9,534	33	9,567
Other assets	-	-	-	-	-	-	-	-	62,691	-	-	-	-	2,176,705	2,239,396
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	715,624	715,624
Defaulted exposures	8,516	8,245	124,460	1,173	70,622	180,015	21,542	3,492	-	14,170	31,206	32,330	645,970	-	1,141,741
Total for on balance sheet exposures	1,894,179	1,680,692	11,995,733	2,489,988	6,326,187	11,442,000	3,461,682	15,762,693	13,316,057	7,729,081	1,927,007	2,343,322	44,665,263	2,958,676	127,992,560
Off balance sheet exposures															
OTC derivatives	5,239	205,698	358,212	-	1,277	11,980	3,395	1,357,099	138,317	1,099	12,378	984	28,700	260	2,124,638
Off balance sheet exposures other than OTC derivatives or Credit derivatives	145,851	77,874	1,464,988	243,704	1,948,078	719,305	342,313	7,122,121	510,874	477,680	133,432	111,211	2,343,554	1,954	15,642,939
Defaulted exposures	-	-	8,492	-	26,936	362	-	-	-	2,073	28	-	9,124	-	47,015
Total for off balance sheet exposures	151,090	283,572	1,831,692	243,704	1,976,291	731,647	345,708	8,479,220	649,191	480,852	145,838	112,195	2,381,378	2,214	17,814,592
Total on and off balance sheet exposures	**2,045,269**	**1,964,264**	**13,827,425**	**2,733,692**	**8,302,478**	**12,173,647**	**3,807,390**	**24,241,913**	**13,965,248**	**8,209,933**	**2,072,845**	**2,455,517**	**47,046,641**	**2,960,890**	**145,807,152**

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.):

2023	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	16,495,634	-	-	-	-	-	16,495,634
Banks, DFIs and MDBs	-	-	-	-	-	-	-	9,612,842	-	-	-	-	-	-	9,612,842
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	320	-	-	-	-	-	-	320
Corporates	1,548,714	1,521,856	10,401,113	2,190,943	5,558,784	8,969,956	4,291,287	6,102,923	-	6,010,676	1,249,206	2,108,457	575,683	45,708	50,575,306
Regulatory retail	60,767	18,837	669,959	89,038	492,486	1,391,167	238,676	22,686	-	145,277	454,931	96,981	20,063,756	6,920	23,751,481
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	22,318,987	-	22,318,987
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	11,245	38	11,283
Other assets	-	-	-	-	-	-	-	-	62,691	-	-	-	-	1,687,909	1,750,600
Securitisation exposures	-	-	-	-	-	-	-	90	-	-	-	-	-	-	90
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	677,338	677,338
Defaulted exposures	4,446	10,172	113,148	12,822	70,817	96,338	18,279	10,322	-	8,638	34,417	7,208	577,459	-	964,066
Total for on balance sheet exposures	1,613,927	1,550,865	11,184,220	2,292,803	6,122,087	10,457,461	4,548,242	15,749,183	16,558,325	6,164,591	1,738,554	2,212,646	43,547,130	2,417,913	126,157,947
Off balance sheet exposures															
OTC derivatives	5,996	198,488	305,350	775	129	12,360	5,078	1,447,240	79,581	2,861	23,983	1,909	46,222	-	2,129,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	144,611	157,421	1,701,274	303,221	2,126,108	789,888	330,831	6,921,504	11,602,509	475,474	122,940	115,521	2,117,834	593	26,909,729
Defaulted exposures	-	16,584	19,439	-	22,603	558	-	-	-	3,329	81	-	13,561	-	76,155
Total for off balance sheet exposures	150,607	372,493	2,026,063	303,996	2,148,840	802,806	335,909	8,368,744	11,682,090	481,664	147,004	117,430	2,177,617	593	29,115,856
Total on and off balance sheet exposures	**1,764,534**	**1,923,358**	**13,210,283**	**2,596,799**	**8,270,927**	**11,260,267**	**4,884,151**	**24,117,927**	**28,240,415**	**6,646,255**	**1,885,558**	**2,330,076**	**45,724,747**	**2,418,506**	**155,273,803**

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

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

2024	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	5,633	16,398	174,604	50,830	162,723	237,820	26,587	2,898	16,771	35,649	37,146	788,481	-	**1,555,540**
Past due but not impaired loans	13,269	9,729	139,416	18,098	151,165	391,575	47,458	6,591	133,042	78,512	19,326	4,303,247	-	**5,311,428**
Allowances for expected credit losses	4,006	19,034	156,287	37,363	122,770	95,656	14,259	8,680	27,098	25,110	8,367	851,826	961	**1,371,417**
(Writeback)/charges for individual allowance	(1,946)	11,718	24,966	1,062	1,026	58,287	6,935	(1,001)	2,098	12,834	2,809	12,349	-	**131,137**
Write-offs against individual allowance	-	28	14,665	-	29,882	44,210	2,174	-	16	10,404	1,036	-	-	**102,415**

2023	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	6,539	4,397	164,355	47,199	152,544	143,014	19,777	11,201	10,915	41,238	10,217	763,896	-	**1,375,292**
Past due but not impaired loans	13,326	11,415	176,359	22,069	230,579	232,441	57,447	5,240	48,104	129,882	32,743	4,682,251	-	**5,641,856**
Allowances for expected credit losses	2,336	6,370	147,796	3,273	87,816	112,556	17,590	3,489	26,800	121,291	5,417	768,724	448	**1,303,906**
Charges/(writeback) for individual allowance	510	547	(1,337)	30,399	6,575	36,909	(139)	1,001	(1,134)	764	(492)	(61)	-	**73,542**
Write-offs against individual allowance	-	8,846	16,519	-	(26,010)	23,251	-	-	-	445	-	-	-	**23,051**

Table 5.3 : Geographical distribution of credit exposures

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

2024	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	13,253,366	-	13,253,366
Banks, DFIs and MDBs	5,562,900	3,180,024	8,742,924
Insurance companies, Securities firms and Fund managers	4,341	-	4,341
Corporates	54,461,903	139,093	54,600,996
Regulatory retail	23,700,325	3,295	23,703,620
Residential mortgages	23,580,895	-	23,580,895
Higher risk assets	9,563	4	9,567
Other assets	2,218,398	20,998	2,239,396
Securitisation exposures	90	-	90
Equity exposures	714,838	786	715,624
Defaulted exposures	1,141,741	-	1,141,741
Total for on balance sheet exposures	**124,648,360**	**3,344,200**	**127,992,560**
Off balance sheet exposures			
OTC derivatives	1,561,364	563,274	2,124,638
Off balance sheet exposures other than OTC derivatives or Credit derivatives	15,617,518	25,421	15,642,939
Defaulted exposures	47,015	-	47,015
Total for off balance sheet exposures	**17,225,897**	**588,695**	**17,814,592**
Total on and off balance sheet exposures	**141,874,257**	**3,932,895**	**145,807,152**

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

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

2023	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	16,495,634	-	16,495,634
Banks, DFIs and MDBs	6,130,947	3,481,895	9,612,842
Insurance companies, Securities firms and Fund managers	320	-	320
Corporates	50,284,932	290,374	50,575,306
Regulatory retail	23,745,479	6,002	23,751,481
Residential mortgages	22,318,987	-	22,318,987
Higher risk assets	11,279	4	11,283
Other assets	1,722,548	28,052	1,750,600
Securitisation exposures	90	-	90
Equity exposures	676,603	735	677,338
Defaulted exposures	964,066	-	964,066
Total for on balance sheet exposures	**122,350,885**	**3,807,062**	**126,157,947**
Off balance sheet exposures			
OTC derivatives	1,493,758	636,214	2,129,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	26,890,212	19,517	26,909,729
Defaulted exposures	62,031	14,124	76,155
Total for off balance sheet exposures	**28,446,001**	**669,855**	**29,115,856**
Total on and off balance sheet exposures	**150,796,886**	**4,476,917**	**155,273,803**

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:

2024	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,555,540	-	1,555,540
Past due but not impaired loans	5,311,428	-	5,311,428
Allowances for expected credit losses	1,371,318	99	1,371,417

2023	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans and advances	1,375,292	-	1,375,292
Past due but not impaired loans	5,641,856	-	5,641,856
Allowances for expected credit losses	1,303,771	135	1,303,906

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:

2024	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/Central banks	1,368,786	131,650	875,338	1,103,199	1,957,159	1,942,609	5,874,625	-	13,253,366
Banks, DFIs and MDBs	5,332,084	977,854	-	810,381	1,012,954	137,747	471,904	-	8,742,924
Insurance companies, Securities firms and Fund managers	-	-	-	4,341	-	-	-	-	4,341
Corporates	16,403,324	5,618,077	5,146,495	5,563,991	7,439,290	5,977,087	8,452,732	-	54,600,996
Regulatory retail	160,436	82,064	131,468	2,447,980	1,515,802	3,020,546	16,345,324	-	23,703,620
Residential mortgages	762	218	414	2,154	42,694	102,906	23,431,747	-	23,580,895
Higher risk assets	25	38	80	40	97	423	8,831	33	9,567
Other assets	775,699	-	-	-	-	-	-	1,463,697	2,239,396
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	715,624	715,624
Defaulted exposures	123,942	831	1,769	64,025	51,254	107,780	763,749	28,391	1,141,741
Total for on balance sheet exposures	**24,165,058**	**6,810,732**	**6,155,564**	**9,996,111**	**12,019,250**	**11,289,098**	**55,349,002**	**2,207,745**	**127,992,560**
Off balance sheet exposures									
OTC derivatives	36,055	193,506	283,054	224,075	40,823	326,109	1,021,016	-	2,124,638
Off balance sheet exposures other than OTC derivatives or Credit derivatives	3,058,518	5,502,897	696,507	4,946,889	17,992	43,372	1,376,764	-	15,642,939
Defaulted exposures	18,452	179	4,137	15,043	109	1	9,094	-	47,015
Total for off balance sheet exposures	**3,113,025**	**5,696,582**	**983,698**	**5,186,007**	**58,924**	**369,482**	**2,406,874**	**-**	**17,814,592**
Total on and off balance sheet exposures	**27,278,083**	**12,507,314**	**7,139,262**	**15,182,118**	**12,078,174**	**11,658,580**	**57,755,876**	**2,207,745**	**145,807,152**

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.):

2023	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/Central banks	1,513,275	666,968	1,019,634	472,195	3,230,049	2,036,454	7,557,059	-	16,495,634
Banks, DFIs and MDBs	6,305,223	928,478	396,281	959,375	233,940	78,684	710,861	-	9,612,842
Insurance companies, Securities firms and Fund managers	-	-	-	320	-	-	-	-	320
Corporates	13,801,805	6,223,911	3,661,831	4,933,555	5,170,058	7,063,549	9,720,597	-	50,575,306
Regulatory retail	199,584	70,303	93,158	2,373,911	1,327,668	3,538,216	16,148,641	-	23,751,481
Residential mortgages	981	158	441	2,041	33,562	97,880	22,183,924	-	22,318,987
Higher risk assets	23	-	34	41	198	434	10,515	38	11,283
Other assets	494,633	-	-	-	-	-	-	1,255,967	1,750,600
Securitisation exposures	-	-	-	-	-	-	90	-	90
Equity exposures	-	-	-	-	-	-	-	677,338	677,338
Defaulted exposures	83,631	17,035	1,968	77,969	33,238	69,821	680,404	-	964,066
Total for on balance sheet exposures	**22,399,155**	**7,906,853**	**5,173,347**	**8,819,407**	**10,028,713**	**12,885,038**	**57,012,091**	**1,933,343**	**126,157,947**
Off balance sheet exposures									
OTC derivatives	84,281	128,373	174,766	320,782	339,052	298,644	784,074	-	2,129,972
Off balance sheet exposures other than OTC derivatives or Credit derivatives	8,133,866	6,537,617	3,846,219	6,820,836	12,739	21,050	1,537,402	-	26,909,729
Defaulted exposures	6,275	4,680	9,044	45,627	231	237	10,061	-	76,155
Total for off balance sheet exposures	**8,224,422**	**6,670,670**	**4,030,029**	**7,187,245**	**352,022**	**319,931**	**2,331,537**	**-**	**29,115,856**
Total on and off balance sheet exposures	**30,623,577**	**14,577,523**	**9,203,376**	**16,006,652**	**10,380,735**	**13,204,969**	**59,343,628**	**1,933,343**	**155,273,803**

Table 5.6: Charge offs and recoveries for loans and advances

The disclosure on reconciliation of loan loss allowances of the Group can be found in Note 14 (i) of the financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

	(Charge offs)/ recoveries	
	2024 RM'000	**2023 RM'000**
Bad debts written off during the financial year ended	(40,156)	(27,383)
Bad debt recoveries during the financial year ended	225,433	207,012

6.0 Credit Risk Exposure under the Standardised Approach

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

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

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

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

2024 Risk weights	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	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	Exposures after netting and credit risk mitigation												
	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
0%	13,772,798	-	60,880	-	4,091,063	1,328,378	-	-	828,620	-	-	20,081,739	-
20%	-	176,608	9,300,364	-	9,018,196	669,157	-	-	498,112	-	-	19,662,437	3,932,487
35%	-	-	-	-	-	-	18,292,164	-	-	-	-	18,292,164	6,402,257
50%	129,760	-	804,774	-	168,580	17,203	5,458,702	-	-	-	-	6,579,019	3,289,511
75%	-	-	-	-	-	19,515,863	-	-	-	-	-	19,515,863	14,636,897
100%	-	-	-	43,706	45,946,567	3,766,541	198,587	-	912,664	-	715,624	51,583,689	51,583,689
150%	-	-	-	-	199,646	142,546	-	19,514	-	-	-	361,706	542,559
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	**13,902,558**	**176,608**	**10,166,018**	**43,706**	**59,424,052**	**25,439,688**	**23,949,453**	**19,514**	**2,239,396**	**90**	**715,624**	**136,076,707**	**80,388,525**

2023 Risk weights	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	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	Exposures after netting and credit risk mitigation												
	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
0%	28,098,143	-	166,090	-	3,542,553	134,657	-	-	349,722	-	-	32,291,165	-
20%	-	-	10,464,196	-	8,091,109	932,152	-	-	-	-	-	19,487,457	3,897,491
35%	-	-	-	-	-	-	16,759,720	-	-	-	-	16,759,720	5,865,902
50%	79,581	-	884,825	-	194,262	17,383	5,704,303	-	-	-	-	6,880,354	3,440,177
75%	-	-	-	-	-	19,735,240	-	-	-	-	-	19,735,240	14,801,430
100%	-	-	-	28,513	43,508,134	4,287,407	163,211	-	1,400,878	-	677,338	50,065,481	50,065,481
150%	-	-	-	-	282,313	148,627	-	23,997	-	-	-	454,937	682,406
1250%	-	-	-	-	-	-	-	-	-	90	-	90	1,125
Total	**28,177,724**	-	**11,515,111**	**28,513**	**55,618,371**	**25,255,466**	**22,627,234**	**23,997**	**1,750,600**	**90**	**677,338**	**145,674,444**	**78,754,012**

Table 6.2: Rated exposures according to ratings by ECAIs

	2024						
	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	Total	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Credit exposures (using corporate risk weights)							
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		176,608	-	-	-	-	176,608
Insurance companies, Securities firms and Fund managers		46,802	-	-	-	-	46,802
Corporates		61,706,924	8,509,680	139,545	15,262	-	53,042,437
Total		**61,930,334**	**8,509,680**	**139,545**	**15,262**	**-**	**53,265,847**

	2023						
	Ratings of corporate by approved ECAIs						
	Moody's		Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch		AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM		AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	Total	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Credit exposures (using corporate risk weights)							
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-	-
Insurance companies, Securities firms and Fund managers		31,364	-	-	-	-	31,364
Corporates		57,839,412	8,157,831	133,257	13,364	-	49,534,960
Total		**57,870,776**	**8,157,831**	**133,257**	**13,364**	**-**	**49,566,324**

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

	2024						
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs						
	Moody's		P-1	P-2	P-3	Others	Unrated
	Fitch		F1+ F1	F2	F3	B to D	Unrated
	RAM		P-1	P-2	P-3	NP	Unrated
	MARC	Total	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rated Credit Exposures							
Corporates		303,299	303,299	-	-	-	-
Total		**303,299**	**303,299**	**-**	**-**	**-**	**-**

	2023						
	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs						
	Moody's		P-1	P-2	P-3	Others	Unrated
	Fitch		F1+ F1	F2	F3	B to D	Unrated
	RAM		P-1	P-2	P-3	NP	Unrated
	MARC	Total	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rated Credit Exposures							
Corporates		174,158	174,158	-	-	-	-
Total		**174,158**	**174,158**	**-**	**-**	**-**	**-**

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

	2024					
	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Sovereigns and Central banks	13,902,558	-	-	13,902,558	-	-
Total	**13,902,558**	**-**	**-**	**13,902,558**	**-**	**-**

	2023					
	Ratings of sovereigns and central banks by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Sovereigns and Central banks	28,177,724	2,873,938	-	25,303,786	-	-
Total	**28,177,724**	**2,873,938**	**-**	**25,303,786**	**-**	**-**

	2024					
	Ratings of banking institutions by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	16,238,354	12,452,071	2,363,536	8,047	1,507	1,413,193
Total	**16,238,354**	**12,452,071**	**2,363,536**	**8,047**	**1,507**	**1,413,193**

	2023					
	Ratings of banking institutions by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	17,594,498	11,077,009	2,959,113	4,327	471	3,553,578
Total	**17,594,498**	**11,077,009**	**2,959,113**	**4,327**	**471**	**3,553,578**

Table 6.3: Securitisation according to ratings by ECAIs

	2024			
	Ratings of securitisation by approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC Total	AAA to AA-	A+ to A-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures				
Securitisation exposures	90	-	-	90
Total	**90**	**-**	**-**	**90**

	2023			
	Ratings of securitisation by approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC Total	AAA to AA-	A+ to A-	Unrated
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures				
Securitisation exposures	90	-	-	90
Total	**90**	**-**	**-**	**90**

7.0 Credit Risk Mitigation

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 for the Group. Any collateral that does not conform to the requirements outlined in that policy may be considered by the relevant approval authority to be accepted and approved as an exception. For capital relief purposes, Basel Foundation IRB requirements set out in BNM's Capital Adequacy Framework are to be met failing which, no capital relief is to be accorded.

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 guarantees 100% of the credit facility, the credit risk rating of the counterparty is able to be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions for Non-Retail portfolio. Otherwise, if the stipulated conditions are met but the guarantee is <100%, the weighted-average method is able to be employed..

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 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 ("LTV") metrics.

Table 7.1 : Credit Risk Mitigation

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

2024 **Exposures**	**Exposures before CRM RM'000**	**Exposures covered by guarantees RM'000**	**Exposures covered by eligible financial collateral RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	13,253,366	-	-
Banks, DFIs and MDBs	8,742,924	-	-
Insurance companies, Securities firms and Fund managers	4,341	-	-
Corporates	54,600,996	1,236,163	5,923,043
Regulatory retail	23,703,620	1,868,636	1,267,909
Residential mortgages	23,580,895	-	15,346
Higher risk assets	9,567	-	-
Other assets	2,239,396	-	-
Securitisation exposures	90	-	-
Equity exposures	715,624	-	-
Defaulted exposures	1,141,741	163,539	12,907
Total for on balance sheet exposures	127,992,560	3,268,338	7,219,205
Off balance sheet exposures			
OTC derivatives	2,124,638	-	538,283
Off balance sheet exposures other than OTC derivatives or Credit derivatives	15,642,939	68,716	7,682,026
Defaulted exposures	47,015	218	10,664
Total for off balance sheet exposures	17,814,592	68,934	8,230,973
Total on and off balance sheet exposures	**145,807,152**	**3,337,272**	**15,450,178**

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

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

2023 **Exposures**	**Exposures before CRM** **RM'000**	**Exposures covered by guarantees** **RM'000**	**Exposures covered by eligible financial collateral** **RM'000**
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	16,495,634	-	-
Banks, DFIs and MDBs	9,612,842	-	-
Insurance companies, Securities firms and Fund managers	320	-	-
Corporates	50,575,306	347,959	2,932,251
Regulatory retail	23,751,481	990,132	1,752,497
Residential mortgages	22,318,987	-	21,551
Higher risk assets	11,283	-	-
Other assets	1,750,600	-	-
Securitisation exposures	90	-	-
Equity exposures	677,338	-	-
Defaulted exposures	964,066	88,526	15,343
Total for on balance sheet exposures	126,157,947	1,426,617	4,721,642
Off balance sheet exposures			
OTC derivatives	2,129,972	-	615,484
Off balance sheet exposures other than OTC derivatives or Credit derivatives	26,909,729	2,177	7,805,943
Defaulted exposures	76,155	-	22,756
Total for off balance sheet exposures	29,115,856	2,177	8,444,183
Total on and off balance sheet exposures	**155,273,803**	**1,428,794**	**13,165,825**

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:

2024	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	1,398,711		1,320,006	1,119,610
Transaction related contingent items	5,447,644		2,680,516	2,144,454
Short term self liquidating trade related contingencies	714,097		119,038	106,070
Forward asset purchases	691,518		30,056	5,200
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style	6,645,141		6,760,919	82,148
Foreign exchange related contracts				
One year or less	18,664,611	132,006	292,865	190,525
Over one year to five years	318,988	711	22,113	11,057
Interest rate related contracts				
One year or less	1,165,106	8,146	10,169	600
Over one year to five years	1,881,250	13,868	43,135	23,840
Over five years	39,000	652	2,998	1,499
Equity and commodity related contracts				
One year or less	2,474,370	26,564	13,914	4,865
Over one year to five years	18,840	288	719	144
Gold and Other Precious Metal Contracts				
One year or less	64,278	1,719	6,219	5,472
Other Commodity Contracts				
One year or less	80,115	2,429	6,440	1,288
OTC Derivatives transaction subject to valid bilateral netting agreements	65,546,996	823,720	1,726,066	834,249
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,876,245		1,428,031	1,095,989
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	12,719,151		2,547,866	2,105,652
Unutilised credit card lines	4,017,609		803,522	594,409
Total	**124,763,670**	**1,010,103**	**17,814,592**	**8,327,071**

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

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

2023	Principal/ Notional amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	2,583,594		2,482,643	2,062,905
Transaction related contingent items	3,519,830		1,730,877	1,356,915
Short term self liquidating trade related contingencies	662,922		110,039	108,720
Forward asset purchases	174,223		5,118	3,069
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	17,904,209		18,045,991	139,627
Foreign exchange related contracts				
One year or less	45,732,390	304,654	317,975	222,978
Over one year to five years	3,621,033	115,718	348,869	289,907
Over five years	1,041,311	1,189	127,979	112,120
Interest rate related contracts				
One year or less	622,094	11,143	18,367	9,184
Over one year to five years	3,969,273	119,263	202,785	56,392
Over five years	2,048,469	129,182	282,761	73,503
Equity and commodity related contracts				
One year or less	1,352,573	12,452	124,618	84,221
Over one year to five years	4,850	116	180	36
Other Commodity Contracts				
Over one year to five years	74,952	6,406	15,450	7,725
OTC Derivatives transaction subject to valid bilateral netting agreements	30,826,938	223,550	690,988	340,691
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,606,963		1,257,655	976,393
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	12,845,730		2,558,203	2,075,150
Unutilised credit card lines	3,976,830		795,358	589,689
Total	**133,568,184**	**923,673**	**29,115,856**	**8,509,225**

Table 8.2 : Credit Derivatives Counterparty Credit Risk

The Group did not have any counterparty credit risk exposure as at 31 March 2024 and 31 March 2023.

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 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 Debt 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 (Banking Book)

The securitised exposures of the Group are as follows:

2024 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
Traditional securitisation originated by the Group				
Banking book				
Mortgage loans	1,170,679	-	1,159,141	-
Total traditional securitisation	**1,170,679**	**-**	**1,159,141**	**-**

2023 Underlying asset	Total exposures securitised RM'000	Past due RM'000	Impaired RM'000	Gains/losses recognised during the financial year RM'000
Traditional securitisation originated by the Group				
Banking book				
Mortgage loans	1,123,518	-	1,112,256	-
Total traditional securitisation	**1,123,518**	**-**	**1,112,256**	**-**

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

2024				Distribution of exposures after CRM according to applicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
Traditional securitisation originated by third party								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Originated by the Group								
On Balance Sheet Exposures	-	-	-	-	-	-	-	-
Total traditional securitisation	**90**	**90**	**-**	**-**	**-**	**90**	**-**	**1,125**

2023				Distribution of exposures after CRM according to applicable risk weights				
				Rated securitisation exposures or risk weights of guarantees/credit derivatives			Unrated (look-through)	
Securitisation exposures by exposure type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	20% RM'000	50% RM'000	1250% RM'000	Exposure amount RM'000	Risk weighted assets RM'000
Traditional securitisation originated by third party								
On Balance Sheet Exposures	-	-	-	-	-	-	-	-
Originated by the Group								
On Balance Sheet Exposures	90	90	-	-	-	90	-	1,125
Total traditional securitisation	**90**	**90**	**-**	**-**	**-**	**90**	**-**	**1,125**

There is no securities exposure under trading book as at 31 March 2024 and 31 March 2023.

10.0 Operational Risk

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products) • Review past operational losses and incidences data • Regulator's and Auditor's review and feedback
Assessment/ Measurement	• Risk and Control Self Assessment ("RCSA") • The inherent and residual risks are assessed based on the probability and impact of activity undertaken
Control/ Mitigation	Several Operational Risk Management tools are used to mitigate the risks identified • Incident Management and Data Collection ("IMDC") • Key Risk Indicators ("KRI") • Key Control Testing ("KCT") • Root cause analysis • Scenario Analysis • Insurance programme
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, KRI breaches and KCT exceptions and operational risk framework adherence • Challenging the periodical review or updating of the RCSA (risk profile)/KRIs/KCTs of all Line of Business and entity • Trigger by adverse change in circumstances (trigger event review) • Change management process review

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 IMDC, KRI and KCT:

- 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 for accountability and ownership to be as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced FLOD provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- in the second line of defence, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness, ORM training and reporting of operational risk triggers, breaches, KCT exceptions, operational loss incidents to GMRC, RMC and the Board.

- Group Internal Audit Department ("GIAD") acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

10.0 Operational Risk (Cont'd.)

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

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

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

10.1 Business Continuity Management

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

Identification	• Identify events that potentially threaten the business operations and areas of criticality.
Assessment/ Measurement	• Business Impact Analysis ("BIA") • Risk Assessment • Climate-related Operational Risk Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") Plan
Monitoring/ Review	• BC plan testing and exercise • Review of BC plan • BC site readiness and maintenance

The BCM function is an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group’s operations and the identification of critical 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.

The Group integrates climate-related operational risk into its BCM programs and activities to ensure the continuity of its Critical Business Function (CBF) and Third Party Service Providers (TPSP) in the face of climate related events. The integration shall include an objective risk assessment from credible external parties that evaluates the climate-related risk vulnerabilites of CBFs and TPSPs.

10.2 Cyber risk management

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

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

The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed. The Group's technology risk management capabilities include oversight over infrastructure security risk, data leakage risk, application security risk and third party security risk.

Group Technology Risk works closely with all Business and Functional Lines to identify cyber risks inherent in the respective business activities, impact assessment and ensuring remedial actions are in place to mitigate risks accordingly. Various tools and methods are employed (similar to Operation Risk tools) to support the execution of these assessments. Progressive tracking and advisory are performed in parallel to execute an effective security program to combine maturity-based and risk-based programs towards proactive cyber security.

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

10.4 Regulatory Compliance Risk

AMMB Group has in place a compliance framework to promote the safety and soundness of the AMMB 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 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 of Directors ("BOD") and Senior Management lead by example. The Group has zero tolerance for any form of bribery or corruption.

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 Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest 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 ("TMR")

The TMR management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trends and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Loss Limits • Historical Stress Loss ("HSL") • Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limits • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Concentration Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/ Review	• Monitor controls • Periodical review and reporting

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 the Bank applies recent historical market conditions to estimate potential losses in market value, at a certain confidence level and over a specified time horizon (i.e. 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 Limits) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

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

The 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")

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/ Rate of Return Risk in the Banking Book ("IRR/IRRBB")

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

Identification	• Identify IRRBB within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• Present Value of One Basis Point ("PV01") • Earnings-at-Risk ("EaR") • ICAAP IRRBB Economic Value of Equity ("EVE") • ICAAP IRRBB EaR
Control/ Mitigation	• PV01 Triggers • EaR Triggers • ICAAP IRRBB EVE / Total Capital Trigger • ICAAP IRRBB EaR / Total Net Interest Income ("NII") Trigger
Monitoring/ Review	• Monitor controls • Periodical review and reporting

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. The Board and GMRC are 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 monthly 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 ("NTMR") (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:

2024	**Interest Rate +100 bps RM'000**	**Interest Rate -100 bps RM'000**
Impact on Profit Before Taxation	84,570	(84,570)
Impact on Equity	(823,503)	906,593

2023	**Interest Rate +100 bps RM'000**	**Interest Rate -100 bps RM'000**
Impact on Profit Before Taxation	3,322	(3,322)
Impact on Equity	(1,045,279)	1,147,968

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 - Management has elected at initial recognition to irrevocably designate certain equity investment not held for trading at financial assets at fair value through profit or loss ("FVTPL") and FVOCI. When this election is used, fair value gains and losses for equity investment at FVTPL are recognised in profit or loss and equity investment at FVOCI are recognised in other comprehensive income.

Table 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	**2024 RM'000**	**2023 RM'000**
Value of quoted (publicly traded) equities	58,775	60,631
Value of unquoted (privately held) equities	715,599	677,295
Total	**774,374**	**737,926**
Net realised and unrealised gains		
Total unrealised gains	36,893	1,120
Risk weighted assets		
Equity investments subject to a 100% risk weight	774,341	737,889
Equity investments subject to a 150% risk weight	49	53
Total	**774,390**	**737,942**
Total minimum capital requirement (8%)	**61,951**	**59,035**

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	• 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	• Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Depositor Concentration Ratios • Other Detailed Controls
Control/ Mitigation	• LCR Limits/ Triggers • NSFR Triggers • Depositor Concentration Ratios • Other Detailed Triggers/Targets
Monitoring/ Review	• Monitor controls • 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 document and NSFR policy document 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 and advances 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.