AmInvestment Bank Berhad
Pillar 3 Disclosure

30 September 2021

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1.0 Scope of Application

The Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) policy document issued by Bank Negara Malaysia (“BNM”) aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The policy is applicable to AmInvestment Bank ("the Bank") and other banking institutions licensed under the Financial Services Act 2013 (“FSA”).

The following information 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 to BNM's Policy Document on Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 3 May 2019.

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

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

These Pillar 3 disclosure of the Group is available on 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 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 IFSA 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 the calculation of capital adequacy at the consolidated level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA and not 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 respective Boards 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 appropriate capital position that supports the Group's strategic objectives and risk appetite. In line with the Group's annual 3-year strategy plan, a capital plan is developed to ensure that adequate level of capital and an optimum capital structure is maintained to meet regulatory requirements, the Group's strategic objectives and stakeholders' expectations.

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

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

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

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

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

2.0 Capital Management (Contd.)

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

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

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

Table 2.1: Capital Adequacy Ratios

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

	30.09.2021	
	Group	**Bank**
Before deducting proposed dividends:		
CET 1 Capital Ratio	37.008%	41.515%
Tier 1 Capital Ratio	37.008%	41.515%
Total Capital Ratio	37.662%	42.351%
After deducting proposed dividends:		
CET 1 Capital Ratio	32.821%	36.080%
Tier 1 Capital Ratio	32.821%	36.080%
Total Capital Ratio	33.475%	36.917%

	31.03.2021	
	Group	**Bank**
CET 1 Capital Ratio	29.899%	27.374%
Tier 1 Capital Ratio	29.899%	27.374%
Total Capital Ratio	29.899%	27.374%

Note:

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

Table 2.2 Risk-Weighted Assets and Capital Requirements

(a) The breakdown of Risk Weighted Assets ("RWA") by exposures in major risk category of the Group is as follows:

	30.09.2021				
Exposure class	**RM'000**	**Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000**	**Net exposures/ EAD after CRM RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirement at 8% RM'000**
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ Central banks		58,348	58,348	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		187,325	187,325	44,965	3,597
Corporates		570,378	227,283	151,829	12,146
Regulatory retail		85,597	2,435	1,991	159
Higher risk assets		3,152	3,152	4,729	378
Other assets		496,623	496,623	431,997	34,560
Total for on balance sheet exposures		1,401,423	975,166	635,511	50,840
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		40,292	7,969	7,590	607
Total for off balance sheet exposures		40,292	7,969	7,590	607
Total on and off balance sheet exposures		1,441,715	983,135	643,101	51,447
2. **Large exposures risk requirement**		-	-	-	-
3. **Market risk**	**Long Position**	**Short Position**			
Interest rate risk /Rate of return risk					
- General interest rate risk	629	630		-	-
Foreign currency risk	23,179	293		23,179	1,854
Total	23,808	923		23,179	1,854
4. **Operational risk**				533,786	42,703
5. **Total RWA and capital requirements**				1,200,066	96,004

Table 2.2 Risk-Weighted Assets and Capital Requirements (Contd.)

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

	31.03.2021				
Exposure class		**Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM")**	**Net exposures/ EAD after CRM**	**Risk weighted assets**	**Minimum capital requirement at 8%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1. **Credit risk**					
On balance sheet exposures					
Sovereigns/ Central banks		61,788	61,788	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		210,734	210,734	48,507	3,881
Corporates		518,645	270,612	195,167	15,613
Regulatory retail		69,598	3,704	3,193	255
Higher risk assets		2,995	2,995	4,493	359
Other assets		639,000	639,000	601,594	48,128
Total for on balance sheet exposures		1,502,760	1,188,833	852,954	68,236
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		48,379	12,686	12,247	980
Total for off balance sheet exposures		48,379	12,686	12,247	980
Total on and off balance sheet exposures		1,551,139	1,201,519	865,201	69,216
2. **Large exposures risk requirement**		-	-	-	-
3. **Market risk**	**Long Position**	**Short Position**			
Interest rate risk /Rate of return risk					
- General interest rate risk/Rate of return risk	1,339	1,347		-	-
Foreign currency risk	21,544	422		21,544	1,724
Total	22,883	1,769		21,544	1,724
4. **Operational risk**				490,677	39,254
5. **Total RWA and capital requirements**				1,377,422	110,194

3.0 Capital Structure

The capital structure of the Group and the Bank are made up of:

- Common Equity Tier 1 (“CET1”) Capital; and
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Ordinary Shares
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) Other Disclosed Reserves
Other disclosed reserves comprise the following:

(i) Capital Reserve and Merger Reserve
The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.

(ii) Foreign Currency Translation Reserve/(Deficit)
Foreign exchange gains and losses arise from the translation of the financial statements of foreign subsidiaries, whose functional currencies are different from that of the Group's reporting currency.

(iii) 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.

(iv) Regulatory Reserve
Regulatory reserve is maintained in accordance with paragraph 10.5 of the the BNM's Policy Document on Financial Reporting as an additional credit risk absorbent. The amount of the regulatory reserve is deducted from the calculation of CET 1 Capital.

3.2 Additional Tier 1 Capital

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

3.3 Tier 2 Capital

The main components of Tier 2 capital are Stage 1 and Stage 2 loss allowances and regulatory reserves (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach). The Bank does not have any Tier 2 capital instruments in issuance.

Table 3.1: Capital Structure

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

	Group		Bank	
	30.09.2021	**31.03.2021**	**30.09.2021**	**31.03.2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET1 Capital				
Ordinary shares	330,000	330,000	330,000	330,000
Retained earnings	73,507	43,454	109,148	35,695
Unrealised gains on financial investments at FVOCI	1,646	1,539	1,646	1,539
Regulatory reserve	7,839	-	7,839	-
Capital reserve	2,815	2,815	-	-
Merger reserve	82,115	82,115	-	-
Less:				
Regulatory adjustments applied on CET1				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(2,084)	(2,350)	(1,685)	(1,872)
Deferred tax assets	(6,533)	(8,451)	(4,587)	(5,841)
55% of cumulative gains of FVOCI financial instruments	(906)	(846)	(906)	(846)
Regulatory reserve	(7,839)	-	(7,839)	-
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
Other CET1 regulatory adjustments specified by BNM	3	-	3	-
CET1 Capital/ Tier 1 Capital	**444,121**	**411,834**	**383,810**	**308,866**
Tier 2 Capital				
General provisions*	7,842	3	7,734	3
Tier 2 Capital	**7,842**	**3**	**7,734**	**3**
Total Capital	**451,963**	**411,837**	**391,544**	**308,869**

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

The breakdown of risk weighted assets of the Group and the Bank in the various risk categories are as follows:

	Group		Bank	
	30.09.2021	**31.03.2021**	**30.09.2021**	**31.03.2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk	643,101	865,201	618,708	839,127
Market risk	23,179	21,544	14,943	15,027
Operational risk	533,786	490,677	290,862	274,163
Total risk weighted assets	1,200,066	1,377,422	924,513	1,128,317

4.0 General Risk Management

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

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

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

AmInvestment Bank Risk Direction

AMMB Group's FY2021 – 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) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance (ESG) Considerations into Our Business and (8) Exploring Digital Bank.

1 The Bank aspires to have a minimum financial institution rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
The Bank will maintain the professional conduct of the Bank and ensure fair dealing with our clients in all business undertakings.
The Bank will remain vigilant in the following areas to protect its reputation and business franchise;
- keeping up and complying with regulatory changes; and
- risk identification and management of risks arising from new client and/or mandate (including for advisory businesses).

2 The Bank aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.

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

4 The Bank recognizes the importance of funding its own business. It aims to maintain the following:
a. Liquidity Coverage Ratio ("LCR") (both at consolidated and entity level) at least 10 percentage point above prevailing regulatory minimum;
b. Stressed LCR (both at consolidated and entity level) above the regulatory requirement; and
c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company (FHC) level) at the prevailing regulatory minimum (effective from July 2020).

5 The Bank aims to maintain adequate controls for all key businesses to manage operational losses excluding regulatory penalties below 2% of PATMI*.
Key operational risks covered include but not limited to:
- People risk; and
- Technology/ Cyber risk

Risk Management Governance

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

The Board has also established 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 risk and business and IT project risk.

The AMMB Group has an independent risk management function, headed by the Group Chief Risk
- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology and emerging risks
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies
- through the RMC, has access to the Board and the boards of the respective banking entities to facilitate suitable escalation of issues of concern across the organization

*PATMI - Profit after Tax and Non-controlling Interests

4.0 General Risk Management (Cont'd.)

Impact of COVID 19 outbreak

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

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

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

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

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

5.0 Credit Risk Management

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits • Non Retail Pricing • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem 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 transactions and/or positions.

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

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

5.0 Credit Risk Management (Cont'd.)

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

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country exposure.
- Setting Loan to Value limits for asset backed loans;
- Non-Retail Credit Policy ("NRCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loan and advances.

Exposure outside the approval discretions of individual Credit Approval Delegations (CAD) holders certain are escalated to the Credit and Commitments Committee ("CACC") for approval. In the event such counterparty 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 regularly meets to review the quality and diversification of the Group's loans portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policies or guidelines.

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

5.0 Credit Risk Management (Cont'd.)

5.1 Impairment

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

(a) The Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Bank;

(b) The obligor has breached its contractual payment obligations and past due for more than 90 days; and

(c) Other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay are hit.

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 time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about expected credit losses.

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

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

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

ii. Stage 2
For underperforming financial instruments which credit risk have 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 are as follows:

	30.09.2021								
	Mining and Quarrying RM'000	**Finance and Insurance RM'000**	**Government and Central Banks RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On balance sheet exposures									
Sovereigns/ Central banks	-	-	58,348	-	-	-	-	-	58,348
Banks, DFIs and MDBs	-	187,325	-	-	-	-	-	-	187,325
Corporates	-	75,454	-	-	-	53,596	441,250	78	570,378
Regulatory retail	-	-	-	-	-	-	85,597	-	85,597
Higher risk assets	-	-	-	-	-	-	-	3,152	3,152
Other assets	636	13,623	488	894	37,682	-	97,253	346,047	496,623
Defaulted exposures	-	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	636	276,402	58,836	894	37,682	53,596	624,100	349,277	1,401,423
Off balance sheet exposures									
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	-	-	6,416	33,876	-	40,292
Defaulted exposures	-	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	-	-	-	6,416	33,876	-	40,292
Total on and off balance sheet exposures	636	**276,402**	**58,836**	**894**	**37,682**	**60,012**	**657,976**	**349,277**	**1,441,715**

Table 5.1: Distribution of gross credit exposures by sector (Contd.)

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

	31.03.2021									
	Mining and Quarrying RM'000	**Construction RM'000**	**Finance and Insurance RM'000**	**Government and Central Banks RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
On balance sheet exposures										
Sovereigns/ Central banks	-	-	-	61,788	-	-	-	-	-	61,788
Banks, DFIs and MDBs	-	-	210,734	-	-	-	-	-	-	210,734
Corporates	-	801	75,446	-	-	-	53,932	388,299	167	518,645
Regulatory retail	-	-	-	-	-	-	-	69,598	-	69,598
Higher risk assets	-	-	-	-	-	-	-	-	2,995	2,995
Other assets	177	-	28,234	-	36	101,441	-	114,894	394,218	639,000
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	177	801	314,414	61,788	36	101,441	53,932	572,791	397,380	1,502,760
Off balance sheet exposures										
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	-	-	-	6,906	41,473	-	48,379
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	-	-	-	-	6,906	41,473	-	48,379
Total on and off balance sheet exposures	**177**	**801**	**314,414**	**61,788**	**36**	**101,441**	**60,838**	**614,264**	**397,380**	**1,551,139**

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

The impaired and past due loans and advances, allowances for expected credit losses, charges/writeback for expected credit losses and write offs during the year by sector of the Group are as follows:

	30.09.2021		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	-	-	**-**
Allowance for expected credit losses	-	1	**1**
Expected credit losses written back to profit or loss	-	-	**-**

	31.03.2021		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	-	-	**-**
Allowance for expected credit losses	-	1	**1**
Expected credit losses written back to profit or loss	-	135	**135**

The disclosure on reconciliation of loan loss allowances can be found in Note 12(g) of the financial statements. There are no charge offs and recoveries that have been taken up directly to the statement of profit or loss for the financial year ended 30 September 2021 and 31 March 2021.

Table 5.3: Geographical distribution of credit exposures

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

	30.09.2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ Central banks	58,348	-	58,348
Banks, DFIs and MDBs	182,126	5,199	187,325
Corporates	570,378	-	570,378
Regulatory retail	85,597	-	85,597
Higher risk assets	3,130	22	3,152
Other assets	496,623	-	496,623
Total for on balance sheet exposures	1,396,202	5,221	1,401,423
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or credit	40,292	-	40,292
Total for off balance sheet exposures	40,292	-	40,292
Total on and off balance sheet exposures	**1,436,494**	**5,221**	**1,441,715**

	31.03.2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/ Central banks	61,788	-	61,788
Banks, DFIs and MDBs	208,780	1,954	210,734
Corporates	518,645	-	518,645
Regulatory retail	69,598	-	69,598
Higher risk assets	2,977	18	2,995
Other assets	639,000	-	639,000
Total for on balance sheet exposures	1,500,788	1,972	1,502,760
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or Credit	48,379	-	48,379
Total for off balance sheet exposures	48,379	-	48,379
Total on and off balance sheet exposures	**1,549,167**	**1,972**	**1,551,139**

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

The impaired and past due loans and advances which reside in Malaysia and impairment allowances are as follows:

	30.09.2021
	RM'000
Impaired loans and advances	-
Allowance for expected credit losses	1

	31.03.2021
	RM'000
Impaired loans and advances	-
Allowance for expected credit losses	1

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 are as follows:

	30.09.2021								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	16,713	-	-	-	31,031	-	10,604	-	58,348
Banks, DFIs and MDBs	187,325	-	-	-	-	-	-	-	187,325
Corporates	494,846	-	-	-	78	-	75,454	-	570,378
Regulatory retail	20	249	534	852	11	83,931	-	-	85,597
Higher risk assets	-	-	-	-	-	-	-	3,152	3,152
Other assets	480,097	-	-	-	-	-	-	16,526	496,623
Total for on balance sheet exposures	1,179,001	249	534	852	31,120	83,931	86,058	19,678	1,401,423
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	712	1,325	1,217	-	-	37,038	-	40,292
Total for off balance sheet exposures	-	712	1,325	1,217	-	-	37,038	-	40,292
Total on and off balance sheet exposures	**1,179,001**	**961**	**1,859**	**2,069**	**31,120**	**83,931**	**123,096**	**19,678**	**1,441,715**

	31.03.2021								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ Central banks	25,172	-	30,112	-	-	-	6,504	-	61,788
Banks, DFIs and MDBs	210,734	-	-	-	-	-	-	-	210,734
Corporates	434,971	-	6,720	541	967	-	75,446	-	518,645
Regulatory retail	55	39	148	1,565	26	67,765	-	-	69,598
Higher risk assets	-	-	-	-	-	-	-	2,995	2,995
Other assets	622,193	-	-	-	-	-	-	16,807	639,000
Total for on balance sheet exposures	1,293,125	39	36,980	2,106	993	67,765	81,950	19,802	1,502,760
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	1,230	1,107	1,971	-	-	44,071	-	48,379
Total for off balance sheet exposures	-	1,230	1,107	1,971	-	-	44,071	-	48,379
Total on and off balance sheet exposures	**1,293,125**	**1,269**	**38,087**	**4,077**	**993**	**67,765**	**126,021**	**19,802**	**1,551,139**

5.0 Credit Risk Management (Cont'd.)

5.1 Impairment (Cont'd.)

Reconciliation of changes to loan impairment allowances

The disclosure on reconciliation of loan loss allowances can be found in Note 11(i) of the interim financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

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

	30.09.21 RM'000	**31.03.21 RM'000**
Bad debts written off during the financial period/year ended	-	-
Bad debt recoveries during the financial period/year ended	-	3,034
	-	3,034

6.0 Credit Risk Exposure under Standardised Approach

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

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

6.0 Credit Risk Exposure under the Standardised Approach

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

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

	30.09.2021							
	Exposures after netting and credit risk mitigation							
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	58,348	-	75,454	-	-	1	133,803	-
20%	-	162,324	-	-	-	80,781	243,105	48,621
35%	-	-	-	-	-	-	-	-
50%	-	25,001	-	-	-	-	25,001	12,500
75%	-	-	-	3,292	-	-	3,292	2,469
100%	-	-	157,397	1,544	-	415,841	574,782	574,782
150%	-	-	-	-	3,152	-	3,152	4,729
Total	58,348	187,325	232,851	4,836	3,152	496,623	983,135	643,101

	31.03.2021							
	Exposures after netting and credit risk mitigation							
Risk Weights	Sovereigns and Central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	61,788	-	75,446	-	-	1	137,235	-
20%	-	189,533	-	-	-	46,756	236,289	47,258
35%	-	-	-	-	-	-	-	-
50%	-	21,201	-	-	-	-	21,201	10,601
75%	-	-	-	3,797	-	-	3,797	2,847
100%	-	-	204,157	3,602	-	592,243	800,002	800,002
150%	-	-	-	-	2,995	-	2,995	4,493
Total	61,788	210,734	279,603	7,399	2,995	639,000	1,201,519	865,201

Table 6.2: Rated Exposures according to Ratings by ECAIs

	30.09.2021					
	Ratings of Corporate by Approved ECAIs					
Exposure class	**Moodys**	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Corporates	593,196	-	-	-	-	593,196
Total	593,196	-	-	-	-	593,196

		31.03.2021					
		Ratings of Corporate by Approved ECAIs					
Exposure class	**Moodys**		**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	Fitch		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM		**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B1 to D**	**Unrated**
	MARC		**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and off balance sheet exposures							
Credit exposures (using corporate risk weights)							
Corporates		547,469	-	-	-	-	547,469
Total		547,469	-	-	-	-	547,469

Table 6.2: Rated Exposures according to Ratings by ECAIs (Contd)

Exposure Class	30.09.2021						
	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central banks	58,348	-	-	58,348	-	-	-
Total	**58,348**	-	-	58,348	-	-	-

Exposure Class	31.03.2021						
	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3				Caa1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central banks	61,788	-	-	61,788	-	-	-
Total	**61,788**	-	-	61,788	-	-	-

Exposure class	30.09.2021						
	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs	187,325	29,537	-	-	-	-	157,788
Total	**187,325**	29,537	-	-	-	-	**157,788**

Exposure class	31.03.2021						
	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures							
Banks, DFIs and MDBs	210,734	22,489	-	-	-	-	188,245
Total	**210,734**	22,489	-	-	-	-	**188,245**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

	30.09.2021	
Exposures	**Exposures before CRM RM'000**	**Exposures covered by Eligible Financial Collateral RM'000**
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	58,348	-
Banks, DFIs and MDBs	187,325	-
Corporates	570,378	462,982
Regulatory retail	85,597	84,461
Higher risk assets	3,152	-
Other assets	496,623	-
Total for on balance sheet exposures	1,401,423	547,443
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	40,292	35,405
Total for off balance sheet exposures	40,292	35,405
Total on and off balance sheet exposures	**1,441,715**	**582,848**

	31.03.2021	
Exposures	**Exposures before CRM RM'000**	**Exposures covered by Eligible Financial Collateral RM'000**
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	61,788	-
Banks, DFIs and MDBs	210,734	-
Corporates	518,645	339,462
Regulatory retail	69,598	67,599
Higher risk assets	2,995	-
Other assets	639,000	-
Total for on balance sheet exposures	1,502,760	407,061
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	48,379	40,367
Total for off balance sheet exposures	48,379	40,367
Total on and off balance sheet exposures	**1,551,139**	**447,428**

8.0 Off Balance Sheet exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

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

	30.09.2021			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts				
One year or less	344	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	201,460		40,292	7,590
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Total	**201,804**	**-**	**40,292**	**7,590**

	31.03.2021			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts				
One year or less	1,346	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	241,897		48,379	12,247
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Total	**243,243**	**-**	**48,379**	**12,247**

Table 8.2 : Credit Derivatives Counterparty Credit Risk (“CCR”)

As at 30 September 2021 and 31 March 2021, the Group does not have any credit derivatives.

9.0 Securitisation

The Group did not have any securitisation exposure in its trading and banking books nor did it undertake any securitisation activities during the current financial year ended 30 September 2021 and for the year ended 31 March 2021.

10.0 Non-Traded Market Risk

Table 10.1 : Market Risk Sensitivity-Interest Rate Risk / Rate of Return Risk in the Banking Book (IRR / RORBB)

The aggregated IRR/RORBB sensitivity for the Group is as follows:

Impact on Profit Before Tax

	30.09.2021		31.03.2021	
Currency	Interest Rate/ Rate of Return + 100 bps (RM'000)	Interest Rate/ Rate of Return - 100 bps (RM'000)	Interest Rate/ Rate of Return + 100 bps (RM'000)	Interest Rate/ Rate of Return - 100 bps (RM'000)
MYR	1,682	(1,682)	465	(465)

Impact on Equity

	30.09.2021		31.03.2021	
Currency	Interest Rate/ Rate of Return + 100 bps (RM'000)	Interest Rate/ Rate of Return - 100 bps (RM'000)	Interest Rate/ Rate of Return + 100 bps (RM'000)	Interest Rate/ Rate of Return - 100 bps (RM'000)
MYR	(5,178)	5,711	(4,426)	4,925

11.0 Equities (Banking Book Positions)

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

Table 11.1: Equity investments and capital requirement

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

	30.09.2021 RM'000	31.03.2021 RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	-	-
Value of unquoted (privately held) equities	3,152	2,995
Total	3,152	2,995
Net realised and unrealised gains		
Total unrealised gains	119	540
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	-	-
Equity investments subject to a 150% risk weight	4,728	4,493
Total	4,728	4,493
Total minimum capital requirement (8%)	378	359

12.0 Liquidity Risk and Funding Management

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

13.0 Cessation of Islamic Banking

Upon notification to BNM, with effect from 15 June 2021, the Group had ceased to carry out Islamic banking business. Accordingly all other regulations applicable for Islamic banking windows will no longer apply to the Group. Therefore, the Group will not be required to comply to Pillar 3 disclosure requirements for Islamic banking institutions at balance sheet date as these requirements apply to Islamic banking institutions and focus more on risk disclosure rather than financial disclosure.

The existing operations of Islamic investment banking of the Group relating to stockbroking and capital market activities undertaken in compliance with Shariah principles, are regulated by the Securities Commission and Bursa Malaysia Berhad and not within the definition of Islamic Banking as per Islamic Financial Services Act 2013, hence no disclosure required. This change is also aligned to the presentation of financial information presented to management to manage the business.