AmInvestment Bank Berhad
Pillar 3 Disclosure

30 September 2022

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

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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 ("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 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 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

1.1 Basis of Consolidation (Cont'd.)

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.

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

On 9 December 2020, BNM issued revised policy 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.

2.0 Capital Management (Contd.)

Table 2.1: Capital Adequacy Ratios

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

	30.09.2022	
	Group	**Bank**
CET 1 Capital Ratio	29.652%	32.082%
Tier 1 Capital Ratio	29.652%	32.082%
Total Capital Ratio	30.287%	32.880%

	31.03.2022	
	Group	**Bank**
Before deducting proposed dividends:		
CET 1 Capital Ratio	33.757%	33.393%
Tier 1 Capital Ratio	33.757%	33.393%
Total Capital Ratio	34.314%	34.077%
After deducting proposed dividends:		
CET 1 Capital Ratio	27.550%	25.771%
Tier 1 Capital Ratio	27.550%	25.771%
Total Capital Ratio	28.108%	26.456%

Note:

(i) Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Component) issued on 9 December 2020, the capital ratios 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 (i.e. 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:

	30.09.2022				
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		42,811	42,811	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		528,341	528,341	205,961	16,477
Corporates		639,671	249,802	174,339	13,947
Regulatory retail		93,464	1,362	1,148	92
Higher risk assets		2,986	2,986	4,479	358
Other assets		636,172	636,172	415,755	33,260
Total for on balance sheet exposures		1,943,445	1,461,474	801,682	64,135
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		49,143	12,285	11,526	922
Total for off balance sheet exposures		49,143	12,285	11,526	922
Total on and off balance sheet exposures		1,992,588	1,473,759	813,208	65,057
2. **Large exposures risk requirement**		-	-	-	-
3. **Market risk**	**Long Position**	**Short Position**			
Interest rate risk /Rate of return risk					
- General interest rate risk	197	197		-	-
Foreign currency risk	13,969	-		13,969	1,118
Total	14,166	197		13,969	1,118
4. **Operational risk**				597,612	47,809
5. **Total RWA and capital requirements**				1,424,789	113,983

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:

	31.03.2022				
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		40,364	40,364	-	-
Banks, development financial institutions ("DFIs") and multilateral development banks		583,747	583,747	207,163	16,573
Corporates		589,507	220,137	144,692	11,575
Regulatory retail		85,501	1,596	1,364	109
Higher risk assets		3,152	3,152	4,729	378
Other assets		878,661	878,661	555,100	44,408
Total for on balance sheet exposures		2,180,932	1,727,657	913,048	73,043
Off balance sheet exposures:					
Off balance sheet exposures other than Over the counter ("OTC") derivatives or Credit derivatives		46,672	8,521	7,894	632
Total for off balance sheet exposures		46,672	8,521	7,894	632
Total on and off balance sheet exposures		2,227,604	1,736,178	920,942	73,675
2. **Large exposures risk requirement**		-	-	-	-
	Long Position	**Short Position**			
3. **Market risk**					
Interest rate risk /Rate of return risk					
- General interest rate risk/Rate of return risk	676	677		-	-
Foreign currency risk	24,467	247		24,467	1,957
Total	25,143	924		24,467	1,957
4. **Operational risk**				572,462	45,797
5. **Total RWA and capital requirements**				1,517,871	121,429

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 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	
	30.09.2022 RM'000	31.03.2022 RM'000	30.09.2022 RM'000	31.03.2022 RM'000
CET1 Capital				
Ordinary shares	330,000	330,000	330,000	330,000
Retained earnings	53,381	144,979	89,117	139,315
Unrealised gains on financial investments at FVOCI	1,503	1,703	1,503	1,703
Regulatory reserve	9,038	8,457	9,038	8,457
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	(4,409)	(3,070)	(2,918)	(2,063)
Deferred tax assets	(5,652)	(8,777)	(3,837)	(5,446)
55% of cumulative gains of FVOCI financial instruments	(827)	(937)	(827)	(937)
Regulatory reserve	(9,038)	(8,457)	(9,038)	(8,457)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
Other CET1 regulatory adjustments specified by BNM	1	1	1	1
CET1 Capital/ Tier 1 Capital	**422,485**	**512,387**	**363,230**	**412,764**
Tier 2 Capital				
General provisions*	9,042	8,460	9,042	8,460
Tier 2 Capital	**9,042**	**8,460**	**9,042**	**8,460**
Total Capital	**431,527**	**520,847**	**372,272**	**421,224**

*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	
	30.09.2022 RM'000	31.03.2022 RM'000	30.09.2022 RM'000	31.03.2022 RM'000
Credit risk	813,208	920,942	787,863	891,418
Market risk	13,969	24,467	3,234	17,652
Operational risk	597,612	572,462	341,110	327,009
Total risk weighted assets	1,424,789	1,517,871	1,132,207	1,236,079

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 ("ORM") tools.

AmInvestment Bank Risk Direction

AMMB Holding ("AMMB") Group's FY2021 to 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 group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative and Experimental ("P2ACE") DNA, (7) Integrating Environmental, Social, and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

1 The Bank aspires to have a minimum financial institution external 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 Target 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 recognises the importance of funding its own business. It aims to maintain the following:
  a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage point above prevailing regulatory minimum;
  b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
  c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company (FHC) level) above 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 profit after tax.
  Key operational risks covered include but not limited to:
  - People risk; and
  - Technology/Cyber risk

6 The Bank aims to maintain its IRRBB Internal Capital Adequacy Assessment Programme ("ICAAP") Pillar 2 over total capital ratio for the Bank at below 5%.

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 and business risk, IT project risk and ESG risk. .

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

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology, emerging and ESG 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; 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 organization.

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.

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.

5.0 Credit Risk Management (Cont'd.)

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.

5.1 Impairment

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

(a) The Group considers that an obligor is “unlikely to repay” in full its credit obligations to the 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 relevant 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 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 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 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.

5.0 Credit Risk Management (Cont'd.)

5.1 Impairment (Cont'd.)

5.1.1 Group Provisioning Methodology (Cont'd.)

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:

	30.09.2022									
	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	-	-	-	42,811	-	-	-	-	-	42,811
Banks, DFIs and MDBs	-	-	528,341	-	-	-	-	-	-	528,341
Corporates	-	75,463	-	-	-	-	42,463	521,699	46	639,671
Regulatory retail	-	-	-	-	-	-	-	93,464	-	93,464
Higher risk assets	-	-	-	-	-	-	-	-	2,986	2,986
Other assets	889	-	96,104	13	182	20,402	-	71,778	446,804	636,172
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	889	75,463	624,445	42,824	182	20,402	42,463	686,941	449,836	1,943,445
Off balance sheet exposures										
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	-	-	-	4,118	45,025	-	49,143
Defaulted exposures	-	-	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	-	-	-	-	4,118	45,025	-	49,143
Total on and off balance sheet exposures	889	**75,463**	**624,445**	**42,824**	**182**	**20,402**	**46,581**	**731,966**	**449,836**	**1,992,588**

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

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

	31.03.2022							
	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	-	40,364	-	-	-	-	-	40,364
Banks, DFIs and MDBs	583,747	-	-	-	-	-	-	583,747
Corporates	75,446	-	-	-	46,878	467,178	5	589,507
Regulatory retail	-	-	-	-	-	85,501	-	85,501
Higher risk assets	-	-	-	-	-	-	3,152	3,152
Other assets	18,315	-	10	31,472	-	74,342	754,522	878,661
Defaulted exposures	-	-	-	-	-	-	-	-
Total for on balance sheet exposures	677,508	40,364	10	31,472	46,878	627,021	757,679	2,180,932
Off balance sheet exposures								
Off balance sheet exposures other than Over the counter derivatives or Credit derivatives	-	-	-	-	5,571	41,101	-	46,672
Defaulted exposures	-	-	-	-	-	-	-	-
Total for off balance sheet exposures	-	-	-	-	5,571	41,101	-	46,672
Total on and off balance sheet exposures	**677,508**	**40,364**	**10**	**31,472**	**52,449**	**668,122**	**757,679**	**2,227,604**

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:

	30.09.2022		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	-	-	**-**
Allowance for expected credit losses	-	-	**-**
Expected credit losses written back to profit or loss	-	-	**-**

	31.03.2022		
	Business Activities RM'000	**Household RM'000**	**Total RM'000**
Impaired loans and advances	-	-	**-**
Allowance for expected credit losses	-	-	**-**
Expected credit losses written back to profit or loss	-	-	**-**

The disclosure on reconciliation of loan loss allowances can be found in Note 13(f) 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 period ended 30 September 2022 and financial year ended 31 March 2022.

Table 5.3: Geographical distribution of credit exposures

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

	30.09.2022		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	42,811	-	42,811
Banks, DFIs and MDBs	526,009	2,332	528,341
Corporates	639,671	-	639,671
Regulatory retail	93,464	-	93,464
Higher risk assets	2,960	26	2,986
Other assets	636,172	-	636,172
Total for on balance sheet exposures	1,941,087	2,358	1,943,445
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or credit	49,143	-	49,143
Total for off balance sheet exposures	49,143	-	49,143
Total on and off balance sheet exposures	**1,990,230**	**2,358**	**1,992,588**

	31.03.2022		
	In Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
On balance sheet exposures			
Sovereigns/ Central banks	40,364	-	40,364
Banks, DFIs and MDBs	568,964	14,783	583,747
Corporates	589,507	-	589,507
Regulatory retail	85,501	-	85,501
Higher risk assets	3,130	22	3,152
Other assets	878,661	-	878,661
Total for on balance sheet exposures	2,166,127	14,805	2,180,932
Off balance sheet exposures			
Off balance sheet exposures other than OTC derivatives or Credit	46,672	-	46,672
Total for off balance sheet exposures	46,672	-	46,672
Total on and off balance sheet exposures	**2,212,799**	**14,805**	**2,227,604**

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:

	30.09.2022
	RM'000
Impaired loans and advances	-
Allowance for expected credit losses	-

	31.03.2022
	RM'000
Impaired loans and advances	-
Allowance for expected credit losses	-

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:

30.09.2022	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ central banks	83	30,453	-	-	-	-	12,275	-	42,811
Banks, DFIs and MDBs	223,733	304,608	-	-	-	-	-	-	528,341
Corporates	563,065	-	-	1,097	46	-	75,463	-	639,671
Regulatory retail	18	199	570	84,560	18	139	7,960	-	93,464
Higher risk assets	-	-	-	-	-	-	-	2,986	2,986
Other assets	603,654	1,067	-	-	-	-	-	31,451	636,172
Total for on balance sheet exposures	1,390,553	336,327	570	85,657	64	139	95,698	34,437	1,943,445
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	671	869	47,603	-	-	-	-	49,143
Total for off balance sheet exposures	-	671	869	47,603	-	-	-	-	49,143
Total on and off balance sheet exposures	**1,390,553**	**336,998**	**1,439**	**133,260**	**64**	**139**	**95,698**	**34,437**	**1,992,588**

31.03.2022	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/ Central banks	64	-	-	30,777	-	-	9,523	-	40,364
Banks, DFIs and MDBs	282,370	-	-	301,377	-	-	-	-	583,747
Corporates	512,338	-	1,718	-	5	-	75,446	-	589,507
Regulatory retail	408	73	-	84,957	23	40	-	-	85,501
Higher risk assets	-	-	-	-	-	-	-	3,152	3,152
Other assets	852,839	-	-	-	-	-	-	25,822	878,661
Total for on balance sheet exposures	1,648,019	73	1,718	417,111	28	40	84,969	28,974	2,180,932
Off balance sheet exposures									
Off balance sheet exposures other than OTC derivatives or credit derivatives	11	194	1,504	44,963	-	-	-	-	46,672
Total for off balance sheet exposures	11	194	1,504	44,963	-	-	-	-	46,672
Total on and off balance sheet exposures	**1,648,030**	**267**	**3,222**	**462,074**	**28**	**40**	**84,969**	**28,974**	**2,227,604**

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:

	30.09.22 RM'000	31.03.22 RM'000
Bad debt recoveries during the financial year	-	-

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:

	30.09.2022							
	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%	42,811	-	75,463	-	-	1	118,275	-
20%	-	194,031	-	-	-	275,519	469,550	93,910
35%	-	-	-	-	-	-	-	-
50%	-	334,310	-	-	-	-	334,310	167,155
75%	-	-	-	3,898	-	-	3,898	2,924
100%	-	-	183,309	779	-	360,652	544,740	544,740
150%	-	-	-	-	2,986	-	2,986	4,479
Total	42,811	528,341	258,772	4,677	2,986	636,172	1,473,759	813,208

	31.03.2022							
	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%	40,364	-	75,446	-	-	1	115,811	-
20%	-	282,370	-	-	-	404,449	686,819	137,364
35%	-	-	-	-	-	-	-	-
50%	-	301,377	-	-	-	-	301,377	150,688
75%	-	-	-	3,430	-	-	3,430	2,572
100%	-	-	150,424	954	-	474,211	625,589	625,589
150%	-	-	-	-	3,152	-	3,152	4,729
Total	40,364	583,747	225,870	4,384	3,152	878,661	1,736,178	920,942

Table 6.2: Rated Exposures according to Ratings by ECAIs

Exposure class	30.09.2022					
	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	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	671,869	-	-	-	-	671,869
Total	671,869	-	-	-	-	671,869

Exposure class	31.03.2022					
	Ratings of Corporate by Approved ECAIs					
Moody's		Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
Fitch		AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM		AAA to AA3	A to A3	BBB1 to BB3	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	618,363	-	-	-	-	618,363
Total	618,363	-	-	-	-	618,363

Table 6.2: Rated Exposures according to Ratings by ECAIs (Cont'd.)

Exposure Class	30.09.2022 Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	42,811	-	-	42,811	-	-	-
Total	**42,811**	-	-	42,811	-	-	-

Exposure Class	31.03.2022 Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	40,364	-	-	40,364	-	-	-
Total	**40,364**	-	-	40,364	-	-	-

Exposure class	30.09.2022 Ratings of Banking Institutions by Approved ECAIs						
	Moody's	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	528,341	31,340	342,611	-	-	-	154,390
Total	**528,341**	31,340	342,611	-	-	-	**154,390**

Exposure class	31.03.2022 Ratings of Banking Institutions by Approved ECAIs						
	Moody's	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	583,747	41,717	371,547	-	-	-	170,483
Total	**583,747**	41,717	371,547	-	-	-	**170,483**

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

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

	30.09.2022	
Exposures	Exposures before CRM RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	42,811	-
Banks, DFIs and MDBs	528,341	-
Corporates	639,671	491,324
Regulatory retail	93,464	92,625
Higher risk assets	2,986	-
Other assets	636,172	-
Total for on balance sheet exposures	1,943,445	583,949
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	49,143	44,152
Total for off balance sheet exposures	49,143	44,152
Total on and off balance sheet exposures	**1,992,588**	**628,101**

	31.03.2022	
Exposures	Exposures before CRM RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk		
On balance sheet exposures		
Sovereigns/ Central banks	40,364	-
Banks, DFIs and MDBs	583,747	-
Corporates	589,507	485,552
Regulatory retail	85,501	84,695
Higher risk assets	3,152	-
Other assets	878,661	-
Total for on balance sheet exposures	2,180,932	570,247
Off balance sheet exposures		
Off balance sheet exposures other than OTC derivatives or credit derivatives	46,672	41,414
Total for off balance sheet exposures	46,672	41,414
Total on and off balance sheet exposures	**2,227,604**	**611,661**

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:

	30.09.2022			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Foreign exchange related contracts				
One year or less	38	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	245,716		49,143	11,526
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Total	**245,754**	**-**	**49,143**	**11,526**

	31.03.2022			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Foreign exchange related contracts				
One year or less	215	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	233,360		46,672	7,894
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Total	**233,575**	**-**	**46,672**	**7,894**

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

As at 31 March 2022 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 period ended 30 September 2022 and for the year ended 31 March 2022.

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

	30.09.2022		31.03.2022	
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	1,933	(1,933)	5,267	(5,267)

Impact on Equity

	30.09.2022		31.03.2022	
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	(3,603)	4,035	(1,960)	2,405

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:

	30.09.2022 RM'000	31.03.2022 RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	-	-
Value of unquoted (privately held) equities	2,986	3,152
Total	2,986	3,152
Net realised and unrealised (losses)/gains		
Total unrealised (losses)/gains	(166)	157
Risk Weighted Assets		
Equity investments subject to a 150% risk weight	4,479	4,728
Total	4,479	4,728
Total minimum capital requirement (8%)	358	378

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.