MIDF Amanah Investment Bank Berhad

Pillar 3 Disclosure Report
31 December 2022

197501002077 (23878-X)
MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

TABLE OF CONTENTS

197501002077 (23878-X)
MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

PILLAR 3 DISCLOSURE AS AT 30 DECEMBER 2022

Overview

To enhance financial reporting disclosure, Bank Negara Malaysia ("BNM") has issued the guidelines on Risk-Weighted Capital Adequacy Framework ("RWCAF") - Disclosure Requirements (Pillar 3) for financial reporting beginning 1 January 2010. The Pillar 3 Disclosure which is synonymous to Basel II issued by the Basel Committee on Banking Supervision consists of the 3 Pillars as follows:

(i) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against market, credit and operational risks they assume.

(ii) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the board of directors and senior management on internal controls and corporate governance practices. This is to ensure that the banking institutions have an appropriate level and quality of capital commensurating with their risk profile and business plan at all times.

(iii) Pillar 3 aims to harness the power of market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

MIDF Amanah Investment Bank Berhad ("The Bank" or "MIDF Investment Bank") adopts the Standardised Approach in determining the capital requirements for market risk and credit risk and applies the Basic Indicator Approach for operational risk of Pillar 1 under BNM's RWCAF. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Bank's average gross income for a fixed number of quarterly periods.

The Bank's Pillar 3 Disclosure is governed by the BNM's Risk-Weighted Capital Adequacy Framework (Basel III) - Disclosure Requirement (Pillar 3) which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by the Chief Executive Officer of MIDF Investment Bank. The information is not subjected to external audit's review as there is no requirement for external auditing of this disclosure under the BNM's RWCAF. The Pillar 3 Disclosure will be published in the corporate website, www.midf.com.my.

Overview (Cont'd)

The Bank's main business activity is investment banking and related financial services. The following table presents the minimum regulatory capital requirement to support the Bank's risk-weighted assets.

	31-Dec-22		31-Dec-21	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	2,691,160	215,292	2,324,422	185,954
Market Risk	65,224	5,217	191,533	15,322
Operational Risk	343,931	27,514	279,101	22,328
Total	**3,100,315**	**248,023**	**2,795,056**	**223,604**

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

1.0 Scope of Application

The Pillar 3 Disclosure is prepared based on information pertaining to MIDF Investment Bank only. The information of its subsidiary companies are not consolidated herewith. The Islamic banking financial services are offered via the Islamic banking operations under the Skim Perbankan Islam ("SPI") of the Bank.

The basis of consolidation for financial accounting purposes is described in the Notes 2 (b) to the Financial Statements for the year ended 31 December 2022 and differs from that used for regulatory capital reporting purposes. The investment in the subsidiary companies are deducted from the regulatory capital.

The subsidiary companies of the Bank are not subjected to any regulatory capital requirements as at the reporting date.

All information in the following paragraphs are based on the Bank's positions as at the reporting date. The capital adequacy related information of the Bank is disclosed based on BNM's RWCAF.

2.0 Capital Management

The review of the capital requirements for the Bank are based on the following requirements and consideration:

(a) Minimum statutory capital requirements pursuant to the prescriptive capital framework issued by BNM, Securities Commission and/or other regulatory authorities;

(b) Capital efficiency measured by the Return of Equity ("ROE") ratio; and

(c) Funding requirements for its business operations.

Effective 01 January 2018, capital adequacy ratios are computed based on the Capital Adequacy Framework (Capital Components) policy document issued by BNM on 02 February 2018, including subsequent amendment to the policy document issued on 9 December 2020.

The Bank maintains an actively managed total capital to cover risks which are inherent in the business. The adequacy of the Bank's Capital is monitored using, among other measures, the rules and ratios in the Basel II Framework established by the Basel Committee on Banking Supervision and adopted by the BNM.

Risk Management Department ("RMD") reviews the Risk-Weighted Capital Ratio ("RWCR") and total capital under both normal and stressed conditions. The stress testing process forecast the Bank's total capital requirements under exceptional but plausible and worst case stress events to assess the Bank's ability, that is, Bank's capital, to withstand market shocks. The results of the stress test are also used to facilitate the formulation of action plans in advance if the stress test reveals that the Bank's capital will be adversely affected under such events.

The results of the stress test together with the action plans, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberation and review. Internally, if the RWCR approaches the internal capital target ("ICT"), or minimum total regulatory requirement, upon receiving the RWCR report from Group Finance, RMD must escalate the current state of the RWCR to the CEO and an Asset & Liability Management Committee ("ALCO") meeting will be convened immediately.

The ALCO is to deliberate and decide on the next course of action to regularise the RWCR to a higher and more comfortable level. The status of action plans will also be escalated to the RMC and the Board.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains a healthy RWCR in order to support its business and to maximise shareholder's value.

2.1 Capital Adequacy Ratios

The table below presents the capital adequacy ratios of the Bank.

	Bank	
	31-Dec-22	**31-Dec-21**
Before deducting dividend		
CET1 Capital	28.341%	30.092%
Tier 1 Capital	28.341%	30.092%
Total Capital	29.426%	31.131%
After deducting dividend		
CET1 Capital	25.115%	29.376%
Tier 1 Capital	25.115%	29.376%
Total Capital	26.200%	30.416%

2.0 Capital Management (Cont'd)

2.2 Capital Structure

The Bank's capital structure consist of Common Equity Tier 1 ("CET1"), additional Tier 1 and Tier 2 capital.

CET1 capital comprised ordinary share capital, retained profits as well as other reserves.

Tier 2 capital comprises the collective impairment allowance and regulatory reserve without any complex or hybrid capital instruments.

The following table presents the components of CET1, additional Tier 1 and regulatory adjustments and Tier 2 capital:

	Bank	
	31-Dec-22	**31-Dec-21**
	RM'000	**RM'000**
CET1 Capital		
Ordinary shares	369,111	369,111
Regulatory reserve	34,491	18,485
Fair value through other comprehensive income reserve	(28,227)	(14,721)
Retained profits	557,395	502,435
	932,770	875,310
Less: Regulatory adjustments	(54,117)	(34,223)
Total CET1 Capital	**878,653**	**841,087**
Total Tier 1 Capital	**878,653**	**841,087**
Tier 2 Capital		
Collective assessment impairment allowance^ and regulatory reserve	33,640	29,055
Total Tier 2 Capital	**33,640**	**29,055**
	912,293	870,142
Less: Investment in subsidiary companies	(*)	(*)
Total Capital	**912,293**	**870,142**

Note * - Denote RM4.00

Note ^ - Effective 1.1.2018 Tier 2 Capital shall consist of general provisions subject to a maximum of 1.25% of total credit RWA determined under the Standardised Approach for credit risk.

3.0 Risk Management Framework

MIDF Investment's Enterprise Risk Management Framework ("ERM") provides a systematic approach on how to identify, prioritise and manage the Bank's overall risk. It consists of five (5) key components i.e. ERM Framework, Risk Assessment, Risk Action Planning and Implementation, Follow-up on the Risk Action Plan Implementation and Continuous Monitoring and Communication.

The Risk Management Department ("RMD") carries out the risk management function that is independent of the Bank's business units and is guided by the Malaysian Industrial Development Finance Berhad ("MIDF Group") ERM.

The risk governance of MIDF Investment is as set out below:

Board of Directors ("Board")
The Board is primarily responsible for the effective management of all risks across the Bank and decides the risk management policy and set prudential limits as well as to decide on auditing, reporting and review mechanism. The Board also ensures that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

Risk Management Committee ("RMC")
The RMC, which comprises members of the Board, is responsible to review and recommend risk strategy and oversees implementation of the risk management framework. The RMC oversees the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of the Bank in line with the Bank's risk appetite taking into account changes in the business environment. The RMC also ensures adequate infrastructure, resources and systems are in place for risk management.

Credit Committee of the Board ("CCB")
The CCB, which comprises members of the Board, is responsible to review and endorse the Bank's credit strategy, policies and limits governing the Bank's credit operations. The CCB is also responsible to ensure and review a well-defined authority structure of approving credits as well as review and/or endorse credit transactions/exposures with connected parties, credit exposures with uninhibited concerns as well as rescheduling and restructuring of non-performing accounts.

Shariah Committee
Specific to Shariah non-compliance risk, RMC is supported by the Shariah Committee and is guided by the Shariah Policy, Shariah Procedures, Bankwide Risk Management Policies and Risk Management Procedures in relation to the Shariah Risk Management functions as well as other relevant guidelines issued by regulatory authorities.

Board Technology Committee ("BTC")
The primary function of BTC is to support the Board of Directors in providing direction and oversight over technology-related matters, including risk, in line with internal, as well as relevant regulatory requirements. BTC is responsible in reviewing, evaluating and recommending technological applications and innovations for the formulation of MIDF Berhad Group's medium- and long-term business strategy, and assist the Board in ensuring that the Group’s technology resources and initiatives are aligned with its overall digitalization strategy and objectives vis-à-vis revenue growth and strategic cost reduction.

3.0 Risk Management Framework (Cont'd)

Audit & Compliance Committee ("ACC")

The role of the ACC is supported by the MIDF's Group Control Assurance Services. The ACC provides independent oversight of the Bank's financial reporting and internal control system to ensure checks and balances within the Bank. The ACC also oversees the Bank's compliance with applicable laws, regulations, rules and guidelines of the regulators.

Nomination and Remuneration Committee (“NRC”)

The NRC, which comprises members of the Board, is responsible for the establishment of formal and transparent framework for nomination, appointment and remuneration of directors, Chief Executive Officer and key senior management officers. The NRC provides a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of the board’s various committees, including the performance of the chief executive officer and senior management officers. This would ensure the Board members and senior management officers have the required skill sets to align with the strategic direction and emerging challenges faced by the Bank. The NRC also responsible for ensuring that compensation is competitive and consistent with the Bank’s culture, objective and strategies as to ensure that the remuneration package is within the scope of the general business policy and not to be dependent on short-term performance to avoid incentives for excessive risk taking.

Asset & Liability Committee ("ALCO")

The role of the ALCO is to oversee the implementation of the Bank's frameworks, policies and guidelines as approved by the Board for market risk, interest rate risk in the banking book ("IRRBB")/rate of return risk in the banking book ("RORBB"), liquidity risk and capital adequacy. The ALCO periodically reviews the position of the market risk, IRRBB/RORBB, liquidity risk and capital adequacy of the Bank to ensure that the level of risks taken is within the Bank's risk appetite and tolerance. The ALCO also develops the on and off balance sheet strategies to improve balance sheet risk-reward performance.

Credit Committee ("CC")

The CC, which comprises of members of Senior Management of the Bank and is responsible for the effective management of credit risk in line with the Bank’s approved credit risk strategy. This includes approving and/or reviewing new credit facilities, performing and non-performing accounts, credit policies and procedures, recovery as well as credit reporting and monitoring.

Management Committee ("MANCO")

The role of MANCO is to ensure that the day-to-day management of the Bank's activities are consistent with the risk strategy, risk appetite and policies approved by the Board. The MANCO ensures risk management activities are well-integrated throughout the organisation and embedded into the culture and business operations of the Bank. The MANCO also monitors status of corrective actions taken to address issues on the Bank's material risks and controls raised by the regulators and auditors.

Management Investment Committee ("MIC")

The role of MIC is to oversee all matters pertaining to strategies on proprietary trading and investment in non-routine treasury portfolio. This includes periodically review the position of proprietary trading and investment in shares and non-routine treasury portfolio in meeting the performance benchmark while ensuring the level of risk taken is within the Board's risk appetite and tolerance.

4.0 Credit Risk

Credit risk is defined as the risk of losses arising from a Bank borrower or counterparty failing to meet its obligation in accordance to the agreed terms and conditions, risk that the Bank will incur losses from the decline in the value of assets, increased probability of default or lower than expected recovery rate on a financial obligation.

Credit Risk Management Unit is a control function that is independent from revenue-generating functions and is responsible to provide credit risk perspective and to identify, measure, monitor, control and report the Bank's overall credit risk exposures.

All new and existing businesses must be assigned an external or internal credit risk rating. The granting of credits shall always be considered on a prudent basis with high importance placed on credit quality.

Regulatory Capital Requirement
The following table presents the minimum regulatory capital requirement for credit risk of the Bank.

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31-Dec-22				
On-balance sheet exposures				
Performing exposures				
Sovereigns/Central Banks	3,152,711	3,152,711	-	-
Bank, Development Financial Institutions & MDBs	29,341	29,341	5,868	469
Corporates	3,410,701	3,410,701	2,165,413	173,233
Regulatory retail	104	104	78	6
Residential mortgages	60	60	21	2
Other assets	160,993	160,993	158,535	12,683
Equity exposure	52,525	52,525	78,038	6,243
Defaulted exposures				
Corporates	66,782	66,782	76,867	6,149
Total for on-balance sheet exposures	**6,873,217**	**6,873,217**	**2,484,820**	**198,785**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	220,885	220,885	206,340	16,507
Total for off-balance sheet exposures	**220,885**	**220,885**	**206,340**	**16,507**
Total for on and off-balance sheet exposures	**7,094,101** *	**7,094,101** *	**2,691,160**	**215,292**

* The Bank does not employ any credit risk mitigation technique in calculating the Risk-Weighted Assets for its capital adequacy purposes.

4.0 Credit Risk (Cont'd)

Regulatory Capital Requirement (Cont'd)

The following table presents the minimum regulatory capital requirement for credit risk of the Bank. (Cont'd)

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31-Dec-21				
On-balance sheet exposures				
Performing exposures				
Sovereigns/Central Banks	3,451,587	3,451,587	-	-
Bank, Development Financial Institutions & MDBs	301,375	301,375	60,275	4,822
Corporates	2,974,742	2,974,742	1,775,059	142,004
Regulatory retail	158	158	119	10
Residential mortgages	73	73	26	2
Other assets	143,086	143,086	140,646	11,252
Equity exposure	1,500	1,500	1,500	120
Defaulted exposures				
Corporates	63,632	63,632	71,805	5,744
Total for on-balance sheet exposures	**6,936,153**	**6,936,153**	**2,049,430**	**163,955**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	274,992	274,992	274,992	21,999
Total for off-balance sheet exposures	**274,992**	**274,992**	**274,992**	**21,999**
Total for on and off-balance sheet exposures	**7,211,145** *	**7,211,145** *	**2,324,422**	**185,954**

* The Bank does not employ any credit risk mitigation technique in calculating the Risk-Weighted Assets for its capital adequacy purposes.

4.0 Credit Risk (Cont'd)

Credit Quality of Loans and Advances

Effective 1 January 2018, the Bank adopted MFRS 9 "Financial Instruments". The Bank's impairment assessment methodologies are disclosed in Note 2 (d) (ii) of the Financial Statements. The credit risk management is disclosed in Note 37 (a) of the Financial Statements.

All stage 2 and stage 3 loans and advances are individually assessed. The following tables presents an analysis of the impaired loans and advances and the related impairment allowances by economic sector and purposes.

Bank

	Individual Assessment ^				31-Dec-22	31-Dec-21
Economic Sector	**At 1 January RM'000**	**Net Charge for the Year RM'000**	**Amounts Written-back and Other Movements RM'000**	**At 31 December RM'000**	**Net Impaired Loans and Advances RM'000**	**Net Impaired Loans and Advances RM'000**
Mining and quarrying	1,934	12,959	-	14,893	35,566	54,273
Finance, insurance, real estate and business services	61,313	2,313	(1,554)	62,072	19,820	20,437
Wholesale & retail trade and restaurants & hotels	19,043	-	(19,043)	-	-	-
Household	24	2	-	26	-	-
	82,314	15,274	(20,597)	76,991	55,386	74,710
Economic Purpose						
Purchase of securities	-	-	-	-	-	-
Purchase of transport vehicles	-	-	-	-	-	-
Purchase of landed properties	-	-	-	-	-	-
(Of which: residential)	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Other purpose	82,314	15,274	(20,597)	76,991	55,386	74,710
	82,314	15,274	(20,597)	76,991	55,386	74,710

^ Includes interest/profit in suspense

4.0 Credit Risk (Cont'd)

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	Manufacturing RM'000	Household/Individual RM'000	Education/ health and others RM'000	Finance, insurance Real estate and business services RM'000	Electricity, Gas and Water RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
Bank								
31-Dec-22								
Financial assets								
Cash and short-term funds	-	-	-	438,107	-	-	-	438,107
Financial investment instruments at FVOCI								
- Money market instruments	-	-	-	-	-	1,372,282	-	1,372,282
- Unquoted instruments	-	-	-	328,317	133,230	-	152,972	614,519
Financial investment instruments at amortised cost								
- Money market instruments	-	-	-	-	-	853,238	-	853,238
- Corporate Bonds/Sukuk	46,962	-	-	880,596	19,995	-	696,843	1,644,396
Loans, advances and financing								
Term loans/financing	53,736	-	156,436	252,947	70,311	-	279,844	813,274
Margin accounts	-	577,780	-	231,841	-	-	1,146	810,767
Others	-	164	-	-	-	-	-	164
Derivative assets	-	-	-	11,778	-	-	-	11,778
Other financial assets	-	-	-	114,158	-	-	119,507	233,665
	100,698	577,944	156,436	2,257,744	223,536	2,225,520	1,250,312	6,792,190
Commitments and contingencies								
Other commitments	12,300	229,836	-	48,893	12,500	-	217,090	520,619
	12,300	229,836	-	48,893	12,500	-	217,090	520,619
	112,998	807,780	156,436	2,306,637	236,036	2,225,520	1,467,402	7,312,809

197501002077 (23878-X)
MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

4.0 Credit Risk (Cont'd)

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements (Cont'd)

	Manufacturing RM'000	Household/Individual RM'000	Education/ health and others RM'000	Finance, insurance Real estate and business services RM'000	Electricity, Gas and Water RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
Bank								
31-Dec-21								
Financial assets								
Cash and short-term funds	-	-	-	390,925			-	390,925
Financial investment instruments at FVOCI								
- Money market instruments	-	-	-	249,363	-	1,671,456	-	1,920,819
- Unquoted instruments	-	-	-	328,578	155,679	-	152,782	637,039
Financial investment instruments at amortised cost								
- Money market instruments						513,211		513,211
- Corporate Bonds/Sukuk	43,195	-	-	825,312	75,013		890,039	1,833,559
Loans, advances and financing								
Term loans/financing	34,151	-	147,596	423,433	40,248	-	144,907	790,335
Margin accounts	-	374,847		209,525	-	-	1,057	585,429
Others	-	231	-	-			-	231
Derivative assets	-	-	-	6,878	-	-	-	6,878
Other financial assets	-	-	-	118,298			103,511	221,809
	77,346	375,078	147,596	2,552,312	270,940	2,184,667	1,292,296	6,900,235
Commitments and contingencies								
Other commitments	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	111,171	622,537	147,596	2,725,788	295,940	2,184,667	1,499,247	7,586,946

4.0 Credit Risk (Cont'd)

Risk Governance

The Board has the overall responsibility to promote a sound credit risk management environment to support prudent credit decision - making, while senior management shall be collectively responsible for the effective management of credit risk in line with the Bank's approved credit risk strategy.

The credit risk management is largely performed by the following committees/unit set up specifically to assist the Board in overseeing the entire credit risk management processes:

i) Risk Management Committee ("RMC")
To oversee the implementation of overall risk management strategies, policies and risk limits, including credit risk.

ii) Credit Committee of the Board ("CCB")
To review and endorse the Bank's credit strategy, policies and limits governing the Bank's credit operations.

iii) Credit Committee ("CC")
To approve credits within the Bank, in accordance with the authority granted by the Board.

iv) Credit Risk Management Unit within Risk Management Department ("CRU")
A control function that is independent from revenue-generating functions and is responsible to provide risk perspectives and to identify, measure, monitor, control and report the Bank's overall credit risk exposures.

Credit Risk Assessment Approach

The authorities for approving credit lies with the CC. Subject to the limit / rating threshold, CCB has the authority to affirm / veto the decision of CC.

i) Lending to Retail, Corporate and Institutional Customers

Credit granting to customers is based on internal credit risk rating that assess the respective customers' general characteristics, financial characteristics, ability to repay, collateral and conduct of account.

ii) Credit Risk from Investment Activities

As for the debt securities, acceptable grade of credit rating from two External Credit Assessment Institutions, namely RAM Rating Services Bhd ("RAM") and Malaysian Rating Corporation Berhad ("MARC"), and internal credit risk rating model are used for internal credit rating. The credit policy stipulates the minimum investment grade for debt securities and is subject to regular review.

iii) Counterparty Credit Risk on Derivative Financial Instruments
The Bank mitigates its counterparty credit risk on derivative financial instruments by restricting transactions only to inter-bank counterparties rated "AA" or better.

4.0 Credit Risk (Cont'd)

4.1 Off-Balance Sheet Exposures and Counterparty Credit Risk

The Bank's off balance sheet exposures are for equity, debt securities, undrawn committed credit facilities and unutilised share margin financing that are secured by quoted shares, cash and fixed deposits.

As at reporting date, the Bank has RM300 million (31 December 2021 : RM300.0 million) exposure to derivatives, specifically on RM denominated interest rate swaps.

Composition of Off-Balance Sheet Exposure

The following table presents a breakdown of the off-balance sheet exposures of the Bank:

31-Dec-22			
Commitments	**Principal Amount RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Direct Credit Substitutes	63,500	63,500	63,500
Obligations under and on-going underwriting agreement	-	-	-
Interest/Profit Rate related contracts - One year or less	-	-	-
Interest/Profit Rate related contracts - Over one year to five years	300,000	18,180	3,636
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	297,849	59,570	59,570
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	159,270	79,635	79,635
Total Off-Balance Sheet Exposures	**820,619**	**220,885**	**206,341**

31-Dec-21			
Commitments	**Principal Amount RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Direct Credit Substitutes	36,000	36,000	36,000
Obligations under and on-going underwriting agreement	-	-	-
Interest/Profit Rate related contracts - One year or less	-	-	-
Interest/Profit Rate related contracts - Over one year to five years	300,000	15,826	3,165
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	287,878	57,576	57,576
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	362,833	181,416	181,416
Total Off-Balance Sheet Exposures	**986,711**	**290,818**	**278,157**

4.0 Credit Risk (Cont'd)

4.2 Credit Risk Mitigation

Any credit facilities by the Bank are primarily based on the customer's credit standing and repayment capability. In addition, collateral is used to mitigate credit risk in the event that the counterparty is unable to meet its contractual repayment obligations. Collateral offered by the customer will be assessed thoroughly to ensure its marketability, measurability, stability, transferability and enforceability.

Types of collateral typically taken by the Bank include cash, fixed deposits, quoted shares, real property, bank guarantees, standby letters of credit, standby credit facilities, debenture, assignments and corporate guarantees. Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposure.

However, for conservative reason, the Bank does not employ any credit risk mitigation technique in calculating the Risk-Weighted Assets for its capital adequacy purposes.

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank uses the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions' ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

(a) RAM Rating Services Berhad ("RAM"); and
(b) Malaysian Rating Corporation Berhad ("MARC").

The ECAI ratings accorded the following counterparty exposure classes are used in the calculation

(a) sovereign and central banks;
(b) banking institutions; and
(c) corporates.

In general, the rating specific to the credit exposure is used, i.e. the issue rating by the relevant ECAI. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar of that guarantor is assigned.

4.0 Credit Risk (Cont'd)

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each exposure must be assigned to one of the credit quality rating categories as prescribed below.

Rating Category	Long-Term Rating			Short-Term Rating	
	S & P	RAM	MARC	RAM	MARC
1	AAA to AA-	AAA to AA3	AAA to AA-	P1	MARC-1
2	A+ to A	A1 to A3	A+ to A-	P2	MARC-2
3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	P3	MARC-3
4	BB+ to BB-	BB1 to BB3	BB+ to BB-		
5	B+ to B-	B1 to B3	B+ to B-	NP and below	MARC-4 and below
6	CCC+ and below	C1 and below	C+ and below		

The following table is a simplified version of the risk weight mapping matrix for each credit quality.

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
			Banking Institutions	
	Sovereigns and Central Banks	Corporates	For Exposure Greater than 6 Months Original Maturity	For Exposure Less than 6 Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, for the credit exposures with Banking Institutions and with original maturity of below 3 months and denominated in Ringgit Malaysia, the risk-weight will be at 20%.

197501002077 (23878-X)
MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

4.0 Credit Risk (Cont'd)

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

Exposures by Credit Quality

(i) Bank - Credit exposures broken down by credit quality rating categories as at 31 December 2022

	Rating Categories							
Exposure Class	**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
Corporates	1,574,790	-	-	-	-	102,348	2,021,229	3,698,367
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
Sovereigns and Central Banks	-	3,152,711	-	-	-	-	-	3,152,711
(iii) Exposures risk-weighted using ratings of Banking Institutions								
Bank, DFIs and MDBs	29,341	-	-	-	-	-	-	29,341
Total Rated Exposures	1,604,131	3,152,711	-	-	-	102,348	2,021,229	6,880,419
(b) Total Unrated Exposures	-	-	-	-	-	-	213,682	213,682
Total Credit Exposures	1,604,131	3,152,711	-	-	-	102,348	2,234,911	7,094,101

Note #:

Under the RWCAF, exposure to and or guaranteed by the Federal Government of Malaysia and BNM are accorded a preferential risk-weight of 0%.

4.0 Credit Risk (Cont'd)

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

Exposures by Credit Quality (Cont'd)

(ii) Bank - Credit exposures broken down by credit quality rating categories as at 31 December 2021

Exposure Class	1	2	3	4	5	6	Unrated	Total
	Rating Categories							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
Corporates	1,499,603	-	-	-	-	63,632	1,750,131	3,313,366
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
Sovereigns and Central Banks	-	3,451,587	-	-	-	-	-	3,451,587
(iii) Exposures risk-weighted using ratings of Banking Institutions								
Bank, DFIs and MDBs	301,375	-	-	-	-	-	-	301,375
Total Rated Exposures	1,800,978	3,451,587	-	-	-	63,632	1,750,131	7,066,328
(b) Total Unrated Exposures	-	-	-	-	-	-	144,817	144,817
Total Credit Exposures	1,800,978	3,451,587	-	-	-	63,632	1,894,948	7,211,145

Note #:

Under the RWCAF, exposure to and or guaranteed by the Federal Government of Malaysia and BNM are accorded a preferential risk-weight of 0%.

4.0 Credit Risk (Cont'd)

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

Exposure by Risk-Weights

(i) Bank - Credit risk disclosure on risk weights as at 31 December 2022

Risk weights	Sovereigns/ Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory retail	Residential mortgages	Other assets	Equity exposures	Total exposures	Total risk-weighted assets
Performing Exposures	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,152,711	-	-	-	-	-	-	3,152,711	-
10%	-	-	-	-	-	-	-	-	-
20%	-	29,341	1,574,790	-	-	3,072	-	1,607,203	321,440
35%	-	-	-	-	60	-	-	60	21
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	104	-	-	-	104	78
90%	-	-	-	-	-	-	-	-	-
100%	-	-	2,056,795	-	-	157,921	1,500	2,216,216	2,216,216
150%	-	-	-	-	-	-	51,025	51,025	76,538
Total	3,152,711	29,341	3,631,585	104	60	160,993	52,525	7,027,319	2,614,293
Defaulted Exposures									
50%	-	-	19,820	-	-	-	-	19,820	9,910
100%	-	-	6,973	-	-	-	-	6,973	6,973
150%	-	-	39,989	-	-	-	-	39,989	59,984
Total	-	-	66,782	-	-	-	-	66,782	76,867
Grand Total	3,152,711	29,341	3,698,367	104	60	160,993	52,525	7,094,101	2,691,160
Risk Weighted Asset by Exposures	-	5,868	2,448,620	78	21	158,535	78,038	2,691,160	
Average Risk Weights	0.0%	20.0%	66.2%	0.0%	35.0%	98.5%	148.6%	37.9%	
Deduction from Total Capital	-	-	-	-	-	-	-	-	

4.0 Credit Risk (Cont'd)

4.3 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

Exposure by Risk-Weights (Cont'd)

(ii) Bank - Credit risk disclosure on risk weights as at 31 December 2021

Risk weights	Sovereigns/ Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory retail	Residential mortgages	Other assets	Equity exposures	Total exposures	Total risk-weighted assets
Performing Exposures	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,451,587	-	-	-	-	-	-	3,451,587	-
10%	-	-	-	-	-	-	-	-	-
20%	-	301,375	1,499,603	-	-	3,050	-	1,804,028	360,804
35%	-	-	-	-	73	-	-	73	26
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	158	-	-	-	158	119
90%	-	-	-	-	-	-	-	-	-
100%	-	-	1,750,131	-	-	140,036	1,500	1,891,667	1,891,667
150%	-	-	-	-	-	-	-	-	-
Total	3,451,587	301,375	3,249,734	158	73	143,086	1,500	7,147,513	2,252,616
Defaulted Exposures									
50%	-	-	23,643	-	-	-	-	23,643	11,822
100%	-	-	-	-	-	-	-	-	-
150%	-	-	39,989	-	-	-	-	39,989	59,984
Total	-	-	63,632	-	-	-	-	63,632	71,806
Grand Total	3,451,587	301,375	3,313,366	158	73	143,086	1,500	7,211,145	2,324,422
Risk Weighted Asset by Exposures	-	60,275	2,121,856	119	26	140,645	1,500	2,324,422	
Average Risk Weights	0.0%	20.0%	64.0%	0.0%	35.6%	98.3%	100.0%	32.2%	
Deduction from Total Capital	-	-	-	-	-	-	-	-	

5.0 Market Risk

Market Risk is defined as risk of losses in on and off-balance sheet positions arising from movements in market prices. The movements in market prices include foreign exchange rates, interest/profit rates, commodities and equity markets.

Regulatory Capital Requirement

The following table presents the minimum regulatory capital requirement for market risk.

	Long positions RM'000	Short positions RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
Bank				
31-Dec-22				
Interest rate risk	300,927	287,303	65,224	5,218
Equity risk	-	-	-	-
	300,927	287,303	65,224	5,218
31-Dec-21				
Interest rate risk	300,644	293,700	108,359	8,669
Equity risk	30,245	-	83,174	6,654
	330,889	293,700	191,533	15,323

Risk Governance

Market & Risk Analytics Unit is responsible for measuring and monitoring market risk, and has designed and implemented policies and procedures to ensure that market risk exposures are managed within the appetite and limit framework set by the Board. The market risk profile will be updated and reported to the ALCO, MANCO, RMC and the Board on a periodical basis.

Risk Management Approach

Modified Duration method is used to compute the entire securities portfolio to measure the change in market value of the portfolio to a change in interest rate.

Portfolio sensitivity analysis measures the impact of the overall portfolio's market value under stressed conditions against the current market value.

Portfolio concentration analysis measures the extent of over concentration in the portfolio such as concentration by type of securities, by investment grades and by the buckets.

Market risk limits such as price value of a basis point (PV01) and loss limits are in place to control extent of the Bank's exposure to market risk.

A valuation of all trading securities and equities under trading book (Fair Value Through Profit & Loss) are done on a daily basis in accordance with market prices while a valuation for securities under banking book (Fair Value Through Other Comprehensive Income) are done on a weekly and on a monthly basis as per the evaluated price provided by Bond Pricing Agency Malaysia (BPAM).

Risk Management Department, through their daily monitoring will ensure that proper procedures are followed through and adhered with when financial instruments are allocated to the trading or banking book.

6.0 Equity Exposures in Banking Book

Equity risk arises from the holding of open positions, either long or short, in equities based instruments, which creates exposure to a change in the market price of the equities or underlying equity instruments.

Investments in Equity instrument are primarily made through managed funds that are subject to limits and is closely managed by Management Investment Committee ("MIC").

The valuation of Equity Investment is done on a daily basis and is subject to a strict cut-loss limit.

Bank	**31-Dec-22**		**31-Dec-21**	
	Gross Credit Exposure RM'000	**Risk-weighted assets RM'000**	**Gross Credit Exposure RM'000**	**Risk-weighted assets RM'000**
Publicly traded	-	-	-	-
Privately held	52,525	78,038	1,500	1,500
	52,525	**78,038**	**1,500**	**1,500**

(i) Publicly traded equity investments comprise mainly holdings of shares listed on stock exchange. All publicly traded equity exposures are stated at fair value.

(ii) The privately held equity investments are unquoted and recorded at fair value.

(iii) The tables below present the gains and losses on equity exposures in the banking book.

	31-Dec-22	**31-Dec-21**
Realised gains/(loss) recognised in the income statement		
- Publicly traded equity instruments	-	-
- Privately held equity instruments	-	-
	-	-
Unrealised gains/(loss) recognised in revaluation reserve		
- Publicly traded equity instruments	-	-
- Privately held equity instruments	20,780	-
	20,780	-

7.0 Interest Rate Risk in Banking Book/Rate of Return Risk in Banking Book

Interest Rate Risk in Banking Book/Rate of Return Risk in Banking Book ("IRRBB/RORBB") is defined as the risk exposure to the Bank's earnings and total capital, as a result of changes in the levels of interest/ profit rates, including the shifts in the composition of assets and liabilities.

Risk Governance

Market & Risk Analytic Unit is responsible for measuring and monitoring IRRBB/RORBB, and has designed and implemented policies and procedures to ensure that IRRBB/RORBB exposures are managed within the appetite and limit framework set by the Board. The IRRBB/RORBB profile will be updated and reported to the ALCO, MANCO, RMC and the Board on a periodical basis.

Risk Management Approach

The Bank is exposed to the Interest Rate Risk in Banking Book/Rate of Return Risk in Banking Book through repricing risk, yield curve risk, basis risk and option risk. The Interest Rate Risk in Banking Book/Rate of Return Risk in Banking Book is measured and managed through the following:

(1) Repricing Gap Analysis

Gap analysis is employed by the Bank to measure interest rate risk arising from the mismatch in repricing balances. The analysis allows the Bank to identify the level of repricing risk by the size of the gap (the amount of the net imbalance or repricing mismatch) and the length of time the gap is open.

(2) Net Income Analysis

The analysis focuses on risk to earnings in the near term, typically up to 1-year. The Bank measures sensitivity of the projected net income by applying a standardised rate shock of 150 basis points.

(3) Economic Value of Equity ("EVE") Analysis

In contrast to the net income analysis, the EVE analysis identifies risk arising from long-term repricing or maturity gaps. This measurement focuses on how the economic value of assets, liabilities and off balance sheet item changes with the movement in interest rates. The impact to economic value is measured under a standardised rate shock of 150 basis points.

(4) Stress Testing

The impact of the Bank's earnings and capital positions arising from interest rates movements under stressed events or future changes in the economic conditions are also measured by conducting stress testing on a regular basis.

Risk limit such as Earning at Risk ("EaR") and EVE Loss limits are in place to control the extent of the Bank's exposure to short term and long term interest rate risk in the banking book/rate of return risk in banking book.

7.0 Interest Rate Risk in Banking Book/Rate of Return Risk in Banking Book (Cont'd)

Table below shows the projected impact of interest rate risk in banking book/rate of return risk in banking book for the Bank (RM'000):

	31-Dec-22		31-Dec-21	
	+150 bps parallel shock		+150 bps parallel shock	
	Increase / (Decrease) in Earnings	Increase / (Decrease) in Economic Value	Increase / (Decrease) in Earnings	Increase / (Decrease) in Economic Value
Total (RM'000)	(38,231)	(148,252)	(29,233)	(124,085)

8.0 Liquidity and Funding Risk

Liquidity risk is defined as the risk of losses arising from the inability to meet cash flow obligations in a timely and cost effective manner. It appears in two (2) forms as follows:

- Funding Liquidity Risk
  The risk in which the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank.

- Market Liquidity Risk
  The risk that the Bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

Risk Governance

The management of the Bank liquidity is under the purview of ALCO based on the guidelines approved by the Board. Liquidity policies and framework are endorsed by the ALCO and RMC, and approved by the Board prior to implementation.

Risk Management Approach

The liquidity risk management of the Bank is aligned with the BNM's Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") as per the Basel III, and is measured and managed on a projected cash flow basis to ensure compliance with the new liquidity standard.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flow and the replenishment of funds as they mature or are borrowed by customers.

The Bank's liquidity and funding position is supported by the Bank's customer deposit base from corporate depositors. The Bank's corporate deposit base comprises short term deposits and fixed deposits. The Bank's reputation, earnings generation capacity, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Bank accesses interbank money markets through interbank borrowing/ acceptance to meet short-term obligations.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problem. Liquidity risk limits/ indicators are in place to provide a snapshot view of the liquidity risk profile as well as to evaluate liquidity performance. Liquidity positions and limit compliances are reported to the ALCO and the RMC on a periodical basis.

Liquidity contingency funding plans are in place to identify early warnings signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test is conducted on a regular basis to determined whether the Bank is able to withstand acute liquidity stress scenarios.

9.0 Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Regulatory Capital Requirement

The following table presents the minimum regulatory capital requirement on operational risk, computed using the Basic Indicator Approach.

	31-Dec-22		31-Dec-21	
	Risk-weighted assets RM'000	Capital requirements RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
Bank	343,931	27,514	279,101	22,328
	343,931	**27,514**	**279,101**	**22,328**

Risk Governance

Operational Risk Management Unit is responsible for exercising governance over operational risk through the management of the operational risk framework. Operational Risk Management Unit facilitates the assessment of Non-Financial Risk in the Enterprise Risk Management and covers Operational Risk, Shariah Non-Compliance Risk together with Business Continuity Risk, the evaluation on the adequacy for allocation of resources/ capital, appropriateness of qualitative and quantitative measurements, methodologies and tools that are in place for managing prioritised risks'. The Operational Risk exposures information is updated and reported to the MANCO, Shariah Committee, RMC and the Board on a periodical basis.

The various business units are responsible for identifying, managing and mitigating the above risk categories within their line of businesses and ensure that their business activities are carried out within the established policies, procedures and limits.

Risk Management Approach

The Bank continues to direct its Bank-wide efforts to maintain the Governance, Risk and Compliance culture in all jurisdictions that it operates in. The Bank seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities among others compliance with regulations governing anti-money laundering and counter financing of terrorism, and cyber threat as well as data integrity.

The Bank adopts ISO 22301 in developing the framework to manage business disruption, which is a critical risk in its ability to operate. The Business Continuity Management framework establishes building operational resilience and the capability for an effective response that safeguards the interests of the Bank’s key stakeholders, reputation, brand and value-creating activities. The Business Continuity, Disaster Recovery and Crisis Communication Plans address the work activities required during the recovery of the Bank’s critical business functions and processes as well as Information Technology (“IT”) assets in ensuring the continuity service delivery arising from internal and/or external events.

9.0 Operational Risk (Cont'd)

To manage and mitigate the Operational, Shariah Non-Compliance and Business Continuity risks, which are based on internal established risk architecture, the Bank uses:

a) Risk Control Self-Assessment ("RCSA")

The Bank uses ISO 31000:2009 for a systematic methodology as part of its integrated risk management strategy to assess the inherent, potential and emerging operational risks, the design and effectiveness of mitigating controls in a categorical manner through an internal driven process incorporating discussions, documentations and data, which results in an overall risk dashboard and map.

b) Loss Event Report

Loss event experiences database storing all materialized risks that have led to economic losses or have nearly caused economic losses to provide quantitative and qualitative information for assessing the Bank's exposure to Operational Risk and the effectiveness of its internal controls while developing appropriate actions to mitigate any identified gaps. The database storing all materialized risks that have led to economic losses or have nearly caused economic losses.

c) Key Risk Indicators

Key Risk Indicators are statistic and/ or metrics, which can provide insight into the Bank's Operational Risk and are used to monitor the main drivers of exposures associate with the key risks. These indicators are reviewed on a periodic basis to alert the Bank on the changes that may indicate areas of risk concerns.

d) Scenario Analysis

Scenario Analysis is a systematic and forward-looking tool that involves understanding the extreme but plausible events in terms of material Operational Risk and the underlying risk drivers that can affect the Bank’s strategy, reputation, operations and financial health. Scenario Analysis also provides insight into emerging risks and key exposures as well as the facilitation of the management actions while it enhances the design of risk mitigation strategies including the inputs into the Bank’s capital calculation for ensuring sufficient allocation of Operational Risk capital.

e) Business Continuity Management

Business impact analysis (BIA) is the process used to determine the criticality of business activities and associated resource requirements for operational resilience and continuity of operations during and after a business disruption. The BIA quantifies the impacts of disruptions on service delivery, risks to service delivery, and recovery time objectives (RTOs) and recovery point objectives (RPOs). These recovery requirements are then used to develop strategies, solutions and plans

f) Shariah Risk Management

Shariah Risk Management is based on control processes systematically identifies, measures, monitors and reports Shariah non-compliance risks in the Islamic operations, business, affairs and activities of the Bank where it also integrates Shariah non-compliance risk considerations with enterprise wide risk management framework.

ATTESTATION BY CHIEF EXECUTIVE OFFICER

I, Datuk Joseph Dominic Silva, being the Chief Executive Officer of MIDF Amanah Investment Bank Berhad, do hereby attest that the disclosures on Risk-Weighted Capital Adequacy Framework for 31 December 2022 are to the best of my knowledge and belief, accurate, complete and not misleading in any particular manner.

DATUK JOSEPH DOMINIC SILVA

Date: 28 June 2023