Financial Statements

Statement of Directors' Responsibilities in Respect of the Audited Financial Statements

The directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2020, and of their financial performance and cash flows for the financial year then ended.

The audited financial statements are prepared on a going concern basis and the directors have ensured that appropriate and relevant accounting policies are applied on a consistent basis and accounting judgements and estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Company.

The directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of AMMB Holdings Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 16 to the financial statements, provide a wide range of retail banking, business banking, wholesale banking, investment banking, Islamic banking and related financial services which also include underwriting of general insurance, stock and share-broking, futures broking, investment advisory asset, real estate investment trust and unit trust management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	1,452,833	817,636
Attributable to:		
Equity holders of the Company	1,340,715	817,636
Non-controlling interests	112,118	–
Profit for the financial year	1,452,833	817,636

OUTLOOK FOR NEXT FINANCIAL YEAR

The Gross Domestic Product ("GDP") growth in Malaysia is estimated to be between -2.0% and 0.4% for 2020 (2019: 4.3%), impacted by the global economic crisis due to the coronavirus ("COVID-19") pandemic and plunging oil price. The COVID-19 pandemic has caused both supply and demand shocks. The impact from the pandemic is expected to taper by end of second quarter with the easing of the Movement Control Order ("MCO") and lockdown by major economies resulting to normalisation of both the global and domestic economy to take place in the second half of year 2020.

Malaysian companies and individuals are severely affected by this pandemic as economic activities grind to a halt following the MCO to curb the spread of the virus. The Group is fully supportive of the Government's stimulus packages as it is a move in the right direction to help our people and businesses to cope with the near term challenges. The Group had announced its Financial Relief Programme which includes financing to impacted small and medium enterprise ("SME") customers under Special Relief Facility on 11 February 2020, an initiative by BNM and moratorium or payment holiday up to six months to individuals and SME customers. Concerted effort is underway to ensure the Group's customers are able to weather through this trying period and to ensure viable businesses continue to operate. To-date, we have approved RM800 million of additional financing to approximately 1,000 SME customers via the Special Relief Facility and about 637,000 of our customers have opted in for the six-month loan moratorium.

To support our communities and front liners, the Group:

i. Donated RM500,000 to Tabung COVID-19 via MERCY to support the national healthcare system; and
ii. Collaborated with PichaEats to sponsor over 200 meals daily to University Malaya Medical Centre during the MCO period.

As the COVID-19 situation continues to evolve and amidst the plunge in global oil price, under the Group's provisioning methodology, additional allowances for expected credit losses i.e. anticipatory forward looking ECL overlay ("FL ECL overlay" and disclosed as changes in model assumptions and methodologies) was set aside by the Group in the last quarter of the current financial year. The Group continues to closely monitor the impact of COVID-19 on our credit portfolios during the moratorium period, especially certain vulnerable sectors such as oil and gas, hospitality, restaurants, manufacturing, trading, transportation and storage and plantation. A total of circa RM65 billion of our retail and SME loans are under moratorium until 1 October 2020.

In line with the subdued economic outlook, the banking system loans growth is expected to be flat in 2020. We foresee margin compression for banks stemming from further rate cuts, deposits competition and slower loans growth.

SIGNIFICANT SUBSEQUENT EVENT

The significant subsequent event is disclosed in Note 58 to the financial statements.

BUSINESS PLAN AND STRATEGY

FY2020 marks the end of the Group's Top 4 Strategy, where the Group embarked on a new growth trajectory to strengthen our franchise value. The foundation has now been laid, with the right people in charge and processes in place, the Group will continue to drive growth in areas of focus identified under the Top 4 Strategy.

The Group will be operating under our refreshed strategy roadmap, focusing on the following themes:

1. Driving higher return on equity and sustainable dividend payout
2. Pushing capital light revenue
3. Sharpening our segment play by improving customer experience
4. Installing collaborative culture and partnerships
5. AmBank digital and building capacity
6. Connecting people
7. Promoting Environment, Social and Governance including responsible banking
8. Digital banking opportunities

We will remain disciplined in managing costs and prioritising investments. The Group will continue to drive operational efficiencies through simplification and automation of processes via the second phase of its Business Efficiency Transformation program.

With the rising uncertainties in the global economy triggered by the COVID-19 pandemic, liquidity and capital management become paramount in preserving the continuity and proper functioning of the banks. At AmBank Group, our liquidity and capital management framework aims to ensure adequate liquidity under adverse market conditions as well as to strengthen our loss absorption capacity. Greater emphasis shall be placed on risk management, stress testing, capital planning and liquidity management in order to safeguard the Group's financial resilience in the face of heightened market volatility.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of COVID-19 pandemic as disclosed in Note 4, the writeback of provision for estimated expenditure to repurchase loans/financing disposed off in the financial year ended 31 March 2019 as disclosed in Note 42(e) and the adoption of MFRS 16 *Leases* as disclosed in Note 56 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 15.0 sen per share in respect of the financial year ended 31 March 2019 which amounted to RM452,127,727. This amount was noted in the directors' report for that financial year and paid on 5 July 2019 to shareholders whose names appeared in the Record of Depositors on 26 June 2019.

An interim single-tier dividend of 6.0 sen per share for the financial year ended 31 March 2020 which amounted to RM180,837,591 was paid on 27 December 2019 to shareholders whose names appeared in the Record of Depositors on 16 December 2019.

The directors propose the payment of a final single-tier dividend of 7.3 sen per share in respect of the current financial year ended 31 March 2020, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves, provisions and allowances during the financial year other than as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing, and have satisfied themselves that all known bad debts and financing had been written off and adequate allowances had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowances for doubtful debts and financing in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business of the Group and of the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ISSUANCE OF SHARES AND DEBENTURES

The following are changes during the financial year in connection with the debt and equity securities that were issued by the Group and the Company.

Issuance of debt securities

On 27 March 2020, a subsidiary, AmBank Islamic Berhad ("AmBank Islamic") issued tranche 5 and 6 of Senior Sukuk Musyarakah with nominal value of RM200.0 million and RM800.0 million respectively under its Senior Sukuk Musharakah Programme of RM3.0 billion in nominal value. The profit rate charged for tranche 5 and 6 is 3.55% and 4.10% per annum respectively. Tranches 5 and 6 have a maturity date of 2 years and 5 years from issuance date.

Redemption of debt securities

(a) AmBank (M) Berhad ("AmBank")

(i) On 3 July 2019, AmBank repaid in full the debt securities of USD400.0 million (equivalent to approximately RM1,655.0 million) nominal value issued under its Euro Medium-Term Note programme of up to USD2.0 billion in nominal value (or its equivalent).

(ii) On the first call date of 19 August 2019, AmBank redeemed Tranche 1 of the Innovative Tier 1 Capital Securities of RM300.0 million in nominal value issued under its RM500.0 million Innovative Tier 1 Capital Securities Programme ("IT1CS Programme"). On the first call date of 30 September 2019, AmBank redeemed Tranche 2 of RM185.0 million in nominal value issued under its IT1CS Programme and cancelled the programme after this final redemption.

(b) AmBank Islamic

(i) On 5 November 2019, AmBank Islamic redeemed Tranche 2 of the Senior Sukuk Musyarakah of RM100.0 million in nominal value issued under its RM3.0 billion Senior Sukuk Musharakah Programme.

(ii) On 6 March 2020, AmBank Islamic redeemed Tranche 4 of the Senior Sukuk Musyarakah of RM900.0 million in nominal value issued under its RM3.0 billion Senior Sukuk Musharakah Programme.

Save as disclosed above and in Notes 25, 26, 28 and 29 to the financial statements, there were no new shares and debentures, share cancellations, shares held as treasury shares nor resale of treasury shares by the Group and the Company during the financial year.

SHARE OPTIONS

There were no options granted during the financial year by the Company to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM200.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Company and its subsidiaries. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of gross insurance premium paid by the Company for the directors and officers of the Company and its subsidiaries for the current financial year was RM324,750.

EXECUTIVES' SHARE SCHEME

On 5 October 2018, the Board approved the implementation of an executives' share scheme ("ESS") for Eligible Executives of the Group.

The awards under the ESS are up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for Eligible Executives including Executive Directors. The ESS is implemented and administered by the Group Nomination and Remuneration Committee ("GNRC"). The effective date of the ESS is 5 October 2018 and would be in force for a period of ten (10) years to 4 October 2028.

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the New ESS will only vest to Eligible Executives who have duly accepted the offers of awards under the ESS subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the GNRC.

The salient features of the new ESS are disclosed in Note 30 to the financial statements.

During the current financial year, the Company disposed off its entire holding of shares held in trust by the Trustee appointed under the old ESS which had expired on 11 January 2019 for a total consideration of approximately RM19.1 million.

SHARE BUY-BACK

At the Extraordinary General Meeting of the Company held on 31 July 2019, the shareholders of the Company approved the proposal for the Company to purchase up to three percent (3%) of the total number of its issued shares for the purposes of the ESS scheme. During the current financial year, the Company bought back from the open market, a total of 7,495,900 ordinary shares listed on the Main Market of Bursa Malaysia at an average buy-back price of RM3.58 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM26.9 million financed by internally generated funds. None of the shares were resold or cancelled during the current financial year.

DIRECTORS

The directors who have served on the Board since the beginning of the current financial year to the date of the this report are:

Tan Sri Azman Hashim
Graham Kennedy Hodges
Soo Kim Wai
Voon Seng Chuan
Seow Yoo Lin
Farina binti Farikhullah Khan
Hong Kean Yong (appointed on 10 October 2019)
Dato' Kong Sooi Lin (appointed on 30 October 2019)
Datuk Shireen Ann Zaharah binti Muhiudeen (resigned on 30 June 2019)

The names of the directors of the Company's subsidiary companies who served on the respective board of the subsidiary companies since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

DIRECTORS' INTERESTS

Under the Company's Constitution, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

INDIRECT INTERESTS

In the Company

Shares - Indirect	Name of Company	No. of Ordinary Shares			
		Balance at 1.4.2019	Bought	Sold	Balance at 31.3.2020
Tan Sri Azman Hashim	Amcorp Group Berhad *	391,069,003	–	–	391,069,003

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

** Deemed interest held through Amcorp Group Berhad*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salary of a full-time employee as shown in Note 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 42 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors ("the Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the recommendations on corporate governance as set out in the Malaysian Code on Corporate Governance 2017.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of long term sustainability of the Group. The Board meets no less than six (6) times in a year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings By-Laws), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises eight (8) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Group Chief Executive Officer.

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

CORPORATE GOVERNANCE (CONT'D.)

(ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation, are:

1. Group Nomination and Remuneration Committee;
2. Audit and Examination Committee;
3. Risk Management Committee; and
4. Group Information Technology Committee.

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

(iii) MANAGEMENT INFORMATION

All directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

CREDIT RATINGS

From a credit rating perspective, we believe in providing our stakeholders with an independent view of our banking subsidiaries as well as that of the Company. As such, we continue to maintain credit ratings with Moody's Investors Service, S&P Global Ratings and RAM Rating Services Berhad.

Rating Agency	Rating Date	Rating Classification	Rating Accorded
The Company			
RAM Rating Services Berhad	18 November 2019	Long-term Corporate Credit Rating Short-term Corporate Credit Rating Outlook	AA2 P1 Stable
AmBank (M) Berhad			
Moody's Investors Service	26 September 2019	Long-term Bank Deposits (Foreign) Rating Short-term Bank Deposits (Foreign) Rating Outlook	A3 P-2 Stable
S&P Global Ratings	19 November 2019	Long-term Foreign Currency Rating Short-term Foreign Currency Rating Outlook	BBB+ A-2 Stable^
RAM Rating Services Berhad	18 November 2019	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA2 P1 Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	18 November 2019	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA2 P1 Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	18 November 2019	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA2 P1 Stable

^ *S&P affirmed AmBank (M) Berhad's ratings at BBB+, A-2 but revised the outlook from Stable to Negative on 29 June 2020.*

SHARIAH COMMITTEE

The Shariah Committee reports functionally to AmBank Islamic's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties.

The Shariah Committee comprises six (6) members and is responsible and accountable for all Shariah-related decisions, views and opinions. The main functions and duties of the Shariah Committee shall include, but are not limited to the following:

(i) to advise the Board and AmBank Islamic on Shariah matters to ensure that the business operations of AmBank Islamic comply with Shariah principles at all times;

(ii) to review and endorse the Shariah aspects of policies and procedures of AmBank Islamic and to ensure that the contents do not contain any elements which are not in line with Shariah principles;

(iii) to review and approve the following documentations in relation to AmBank Islamic's products to ensure that the products are in compliance with Shariah principles:

- (a) the terms and conditions contained in the forms, contracts, agreements or other legal documentation used in executing the transactions; and
- (b) the product manual, marketing advertisements, sales illustrations, pamphlets and brochures used to describe the products.

(iv) to actively promote a culture of support for Value-based Intermediation ("VBI") and foster the development of the organisation's capacities to support AmBank Islamic's value based mission;

(v) to perform oversight on the work carried out by the Shariah Research and Advisory, and Shariah Review functions in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report. This includes performing assessment of the Head of Shariah Research & Advisory, and the Head of Shariah Review on periodic basis with input from key stakeholders;

(vi) to assess the work carried out by Group Internal Audit relating to the Shariah Audit functions and Shariah Risk Unit relating to Shariah Risk Management function in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report;

(vii) to provide assistance to legal counsel, auditor or consultant on Shariah matters of AmBank Islamic upon request;

(viii) to advise AmBank Islamic to consult the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") or Securities Commission on any Shariah matters that could not be resolved by the Committee;

(ix) to provide written Shariah opinions to the SAC of BNM as and when required, including the following circumstances:

- (a) where AmBank Islamic makes reference to the SAC for advice; or
- (b) where AmBank Islamic submits an application to BNM for new product approval.

(x) to provide advice and guidance on management of the zakat fund, charity and other social programs or activities;

(xi) to oversee strategies and initiatives implemented by key organs carrying out the Shariah functions including the Shariah Research & Advisory, Shariah Review, Shariah Audit and Shariah Risk Management functions; and

(xii) to endorse the Shariah operations manual which specify the manner in which a submission or request for advice be made to the Committee, the conduct of the Committee's meeting and the manner of compliance with any Shariah decision.

SHARIAH COMMITTEE (CONT'D.)

Shariah Committee members also sit in Shariah Oversight Committee, a sub-committee to the Shariah Committee. The Shariah Oversight Committee is established to assist the Shariah Committee in discharging its responsibilities relating to the oversight from Shariah perspectives of the Shariah Review function. In addition, Shariah Oversight Committee is to assess the work carried out by Group Internal Audit relating to the Shariah Audit function and Shariah Risk Unit relating to Shariah Risk Management function in order to ensure compliance with Shariah matters.

The main functions and duties of Shariah Oversight Committee shall include, but are not limited to the following:

(i) to determine and confirm actual and potential Shariah non-compliance incidents and endorse corresponding rectification plans;

(ii) to recommend alternative ways to rectify issues found through Shariah Audit, Shariah Review and Shariah Risk Management activities and other sources;

(iii) to provide advice on the recognition of income pursuant to Shariah non-compliance incidents and its disposal;

(iv) to recommend possible implementation methods to improve AmBank Islamic's Shariah business activities in line with applicable statutes and guidelines/policies/circulars issued by relevant regulatory bodies; and

(v) to perform assessment of the Head of Shariah Review on periodic basis with input from the key stakeholders and recommend to the Shariah Committee for assessment.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 35 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN SRI AZMAN HASHIM

SEOW YOO LIN

Kuala Lumpur, Malaysia
26 June 2020

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, **TAN SRI AZMAN HASHIM** and **SEOW YOO LIN,** being two of the Directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 104 to 332 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN SRI AZMAN HASHIM

SEOW YOO LIN

Kuala Lumpur, Malaysia
26 June 2020

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **LING FOU-TSONG @ JAMIE LING**, being the Officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 104 to 332 are, in my opinion, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed
LING FOU-TSONG @ JAMIE LING at Kuala Lumpur
in Wilayah Persekutuan this 26 June 2020

LING FOU-TSONG @ JAMIE LING

Before me,

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
1.1.2019 hingga
31.12.2021
MALAYSIA

COMMISSIONER FOR OATHS

Tingkat 20 Ambank Group Building
55 Jln. Raja Chulan, 50200 Kuala Lumpur

Independent Auditors' Report

to the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AMMB Holdings Berhad, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 332.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (cont'd.)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss	
As at 31 March 2020, the loans, advances and financing represent 62.6% of the total assets of the Group, and the investments carried at amortised cost and fair value through other comprehensive income represent 14.5% of the total assets of the Group. MFRS 9 *Financial Instruments* ("MFRS 9") requires the Group to account for loans, advances and financing, and investments' impairment loss with a forward-looking Expected Credit Loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of significant accounting policies in Note 2.5(p), significant accounting estimates and judgement in Note 5.1, disclosures of loans, advances and financing and investments in Notes 13, 11 and 12, and disclosures on credit risk in Note 50.2 to the financial statements.*	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording, monitoring, credit model development and validation of loans, advances and financing and the investments. We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group in staging the credit exposures and calculating the ECL. For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's ECL models, including model input, model design, model performance for significant portfolios. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios. We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Group's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the disclosures in the financial statements adequately and appropriately reflect the Group's exposure to credit risk. We involved our credit modelling specialists and information technology ("IT") specialists in the performance of the above procedures where their specific expertise was required.

Key audit matters (cont'd.)

Risk area and rationale	Our response
Impairment of (i) goodwill and (ii) investment in subsidiaries	
(i) Goodwill	
As at 31 March 2020, goodwill amounts to RM2.81 billion. The Group is required to annually test the carrying amount of the goodwill for impairment. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. This is an area of focus in the preparation of financial statements due to: (i) the significance of the goodwill recognised in the financial statements of the Group; (ii) the level of subjectivity associated with the assumptions used in estimating the VIU of the CGUs; and (iii) the subjectivity involved in determining the appropriate discount rates to be applied to measure the net present value of each CGU. (ii) Investment in subsidiaries As at 31 March 2020, the carrying amount of investment in subsidiaries (Company only) stood at RM9.63 billion. Similarly, we focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgement and are based on complex assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Note 2.5(s)(i) and 2.5(b), significant accounting estimates and judgement in Note 5.3 and the disclosures of (i) goodwill and (ii) investment in subsidiaries in Note 20 and 16 to the financial statements.*	Our audit procedures included, among others, evaluating the methodologies and the assumptions used by the Group and the Company in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back-testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and the Company's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Key audit matters (cont'd.)

Risk area and rationale	Our response
Valuation of insurance contract liabilities	
The general insurance contract liabilities amount to RM2.44 billion or 1.6% of total liabilities in the statement of financial position of the Group. The general insurance contract liabilities have been estimated by the Appointed Actuary of the general insurance subsidiary using appropriate actuarial valuation techniques and applying relevant assumptions and judgement thereon. Due to the significance of the general insurance contract liabilities, and the subjective nature inherent in making actuarial estimates, this is an area of focus in the preparation of the financial statements. *Refer to summary of significant accounting policies in Note 2.5(an), significant accounting estimates and judgement in Note 5.7 and Note 5.8 and the disclosures of the general insurance business and contract liabilities in Note 53 to the financial statements.*	Our audit procedures included testing controls over the approval, recording and monitoring of premiums as well as the claims processes of the general insurance subsidiary. We tested the completeness and sufficiency of data used by the Appointed Actuary to the underlying records. In relation to the valuation methods used, we assessed the appropriateness of the methods used to Bank Negara Malaysia's Risk-based Capital Framework as well as the relevant accounting standards. We independently reviewed and challenged the estimates of insurance contract liabilities of the general insurance subsidiary, with particular focus on the key assumptions applied in the valuation. Our Actuarial Services professionals were engaged to assist us in performing certain procedures related to the audit of the general insurance contract liabilities. We also assessed the sufficiency of disclosures made in the financial statements in relation to insurance contract liabilities of the Group.
System and IT controls	
Many financial reporting controls depend on the correct functioning of related elements of operational and financial IT systems, for example interfaces between applications and financial reporting systems or automated controls which are designed to prevent or detect inaccurate or incomplete transfers of financial information. We focus on this area as the Group's financial accounting and reporting systems are heavily dependent on complex and multiple systems. There could be a risk that the automated and related IT dependent manual controls are not designed and operating effectively in the preparation of financial statements.	Our audit procedures included, among others, testing: • general IT controls around system access, change management and data back-ups; and • specific IT application controls over computer operations within specific systems and modules which are required to be operating correctly to mitigate the risk of misstatement in the financial statements. With the support of our own IT specialists, we tested these controls through examining whether changes made to the systems were appropriately approved, assessing whether appropriate restrictions were placed on access to core systems through testing the permissions and responsibilities of those given that access, and determined if financial data were appropriately backed-ups and recoverable.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report and the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Independent Auditors' Report

to the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

to the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

AHMAD QADRI BIN JAHUBAR SATHIK
No. 03254/05/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 June 2020

Statements of Financial Position

As at 31 March 2020

	Note	Group		Company	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
ASSETS					
Cash and short-term funds	6	15,611,728	7,073,744	322,262	81,005
Deposits and placements with banks and other financial institutions	8	98,845	196,159	–	–
Derivative financial assets	9	2,077,281	763,923	–	–
Financial assets at fair value through profit or loss	10	12,545,857	19,365,595	1,078	1,044
Financial investments at fair value through other comprehensive income	11	19,722,901	15,709,873	–	–
Financial investments at amortised cost	12	4,852,813	5,146,316	–	–
Loans, advances and financing	13	105,950,930	100,544,021	–	–
Statutory deposits with Bank Negara Malaysia	14	489,006	3,155,541	–	–
Deferred tax assets	15	51,457	66,162	–	–
Investment in subsidiaries and other investments	16	–	–	9,627,425	9,640,313
Investment in associates and joint ventures	17	699,275	710,091	–	–
Other assets	18	2,809,434	1,983,451	1,571	1,670
Reinsurance assets and other insurance receivables	53(I)	457,906	525,547	–	–
Property and equipment	19	254,144	168,221	332	676
Intangible assets	20	3,261,506	3,379,727	–	–
Right-of-use assets	21	317,679	–	–	–
Assets held for sale	55	2,324	5,029	–	–
TOTAL ASSETS		**169,203,086**	**158,793,400**	**9,952,668**	**9,724,708**
LIABILITIES AND EQUITY					
Deposits from customers	22	112,966,712	106,915,989	–	–
Investment accounts of customers	57(XIII)	208,726	353,451	–	–
Deposits and placements of banks and other financial institutions	23	10,021,921	7,687,719	–	–
Securities sold under repurchase agreements	7	6,352,709	5,339,422	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	24	5,140,023	4,658,353	–	–
Derivative financial liabilities	9	1,960,103	825,492	–	–
Term funding	25	2,501,739	3,634,754	–	–
Debt capital	26	3,745,000	4,230,000	–	–
Redeemable cumulative convertible preference share	53(VIII)	231,311	224,229	–	–
Deferred tax liabilities	15	69,720	63,702	–	–
Other liabilities	27	3,965,918	3,476,588	46,974	31,436
Insurance contract liabilities and other insurance payables	53(I)	2,479,164	2,693,249	–	–
TOTAL LIABILITIES		**149,643,046**	**140,102,948**	**46,974**	**31,436**
Share capital	28	5,851,557	5,751,557	5,550,250	5,550,250
Shares held in trust	29(f)	–	(31,483)	–	(31,483)
Treasury shares	29(g)	(26,916)	–	(26,916)	–
Reserves	29	12,756,131	11,970,879	4,382,360	4,174,505
Equity attributable to equity holders of the Company		18,580,772	17,690,953	9,905,694	9,693,272
Non-controlling interests	31	979,268	999,499	–	–
TOTAL EQUITY		**19,560,040**	18,690,452	**9,905,694**	9,693,272
TOTAL LIABILITIES AND EQUITY		**169,203,086**	**158,793,400**	**9,952,668**	**9,724,708**
COMMITMENTS AND CONTINGENCIES	47	**133,474,654**	**131,016,758**	**–**	**–**
NET ASSETS PER SHARE (RM)		**6.18**	**5.87**	**3.29**	**3.22**

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss

For the financial year ended 31 March 2020

	Note	Group		Company	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Operating revenue	52, 2.5(z)	9,324,567	9,119,857	858,518	1,210,101
Interest income	32	4,940,011	4,892,073	5,247	62,104
Interest expense	33	(3,001,394)	(3,167,765)	–	(69,515)
Net interest income/(expense)		1,938,617	1,724,308	5,247	(7,411)
Net income from Islamic banking	57(XXVIII)	1,019,555	951,949	–	–
Income from insurance business	53(III)	1,428,732	1,374,782	–	–
Insurance claims and commissions	53(III)	(988,024)	(922,261)	–	–
Net income from insurance business	53(III)	440,708	452,521	–	–
Other operating income	34	831,416	773,195	853,271	1,147,997
Share in results of associates and joint ventures		(3,140)	20,427	–	–
Net income		4,227,156	3,922,400	858,518	1,140,586
Other operating expenses	35	(2,108,191)	(2,130,872)	(26,574)	(23,796)
Operating profit before impairment losses		2,118,965	1,791,528	831,944	1,116,790
(Allowance)/writeback of allowance for impairment on loans, advances and financing	37	(322,631)	301,303	–	–
(Allowance)/writeback of allowance for impairment on:					
Financial investments	38	(46,528)	(11,837)	–	–
Insurance receivables	53(IV),(VI)	8,602	4,961	–	–
Other financial assets	38	1,308	(2,180)	–	–
Subsidiaries	16(a)	–	–	(12,888)	(24,083)
Provision for commitments and contingencies	27(c),(d)	22,267	9,289	–	–
Other recoveries, net		873	2,310	–	–
Profit before taxation and zakat		1,782,856	2,095,374	819,056	1,092,707
Taxation and zakat	39	(330,023)	(492,305)	(1,420)	(1,877)
Profit for the financial year		**1,452,833**	**1,603,069**	**817,636**	**1,090,830**
Attributable to:					
Equity holders of the Company		1,340,715	1,505,289	817,636	1,090,830
Non-controlling interests		112,118	97,780	–	–
Profit for the financial year		**1,452,833**	**1,603,069**	**817,636**	**1,090,830**
EARNINGS PER SHARE (SEN)					
Basic/Diluted	40	44.64	50.03		

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 31 March 2020

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Profit for the financial year		1,452,833	1,603,069	817,636	1,090,830
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to statements of profit or loss					
Remeasurement of defined benefit liability	27(b)(ii)	1,238	24	–	–
Financial investments at fair value through other comprehensive income ("FVOCI")					
– net unrealised gain on changes in fair value		69,337	–	–	–
Tax effect relating to components of other comprehensive income					
– defined benefit liability	15, 27(b)(ii)	(297)	(14)	–	–
– financial investments at FVOCI	15	40	–	–	–
		70,318	10	–	–
Items that may be reclassified subsequently to statements of profit or loss					
Translation gain of foreign operations		14,578	32,489	–	–
Cash flow hedge					
– loss arising during the financial year		(18,306)	(12,123)	–	–
– reclassification adjustments for gain included in profit or loss		(66)	(128)	–	–
– amortisation of fair value changes for terminated hedges		(2,787)	(7,812)	–	–
Financial investments at FVOCI					
– net unrealised gains on changes in fair value		169,104	99,921	–	–
– net gain reclassified to profit or loss		(98,384)	(31,589)	–	–
– expected credit loss	38	47,012	11,301	–	–
– foreign exchange differences		–	340	–	–
Tax effect relating to the components of other comprehensive (income)/loss					
– cash flow hedge	15	5,078	4,815	–	–
– financial investments at FVOCI	15	(31,414)	(13,540)	–	–
Share of reserve movements in equity accounted joint ventures		(354)	618	–	–
		84,461	84,292	–	–
Other comprehensive income for the financial year, net of tax		154,779	84,302	–	–
Total comprehensive income for the financial year		1,607,612	1,687,371	817,636	1,090,830
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		1,495,033	1,589,586	817,636	1,090,830
Non-controlling interests		112,579	97,785	–	–
		1,607,612	1,687,371	817,636	1,090,830

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2020

		Attributable to Equity Holders of the Company											
		Non-Distributable								Distributable			
									Retained earnings				
Group	Note	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedging reserve/ (deficit) RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Non-participating funds RM'000	RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2018		5,551,557	296,221	412,919	3,174	61,600	17,428	(41,620)	45,715	10,206,241	16,553,235	1,144,453	17,697,688
Profit for the financial year		–	–	–	–	–	–	–	–	1,505,289	1,505,289	97,780	1,603,069
Other comprehensive income/(loss), net		–	–	67,051	(15,248)	32,489	–	–	–	5	84,297	5	84,302
Total comprehensive income/(loss) for the financial year		–	–	67,051	(15,248)	32,489	–	–	–	1,505,294	1,589,586	97,785	1,687,371
Purchase of shares pursuant to Executives' Share Scheme ("ESS")[1]		–	–	–	–	–	–	(183)	–	–	(183)	–	(183)
Share-based payment under ESS, net		–	–	–	–	–	(5,270)	–	–	–	(5,270)	–	(5,270)
ESS shares vested to employees		–	–	–	–	–	(6,863)	10,320	–	–	3,457	–	3,457
Transfer of ESS shares recharged – difference on purchase price for shares vested		–	–	–	–	–	–	–	–	(3,373)	(3,373)	(109)	(3,482)
Dividend for ESS shares not vested		–	–	–	–	–	–	–	–	5,629	5,629	–	5,629
Transfer to regulatory reserve		–	153,937	–	–	–	–	–	–	(153,937)	–	–	–
Transfer from retained earnings arising from redemption of preference shares by a subsidiary		200,000	–	–	–	–	–	–	–	(200,000)	–	–	–
Dividends paid	41	–	–	–	–	–	–	–	–	(452,128)	(452,128)	(242,630)	(694,758)
Transactions with owners and other equity movements		200,000	153,937	–	–	–	(12,133)	10,137	–	(803,809)	(451,868)	(242,739)	(694,607)
At 31 March 2019		**5,751,557**	**450,158**	**479,970**	**(12,074)**	**94,089**	**5,295**	**(31,483)**	**45,715**	**10,907,726**	**17,690,953**	**999,499**	**18,690,452**

Statements of Changes in Equity

For the financial year ended 31 March 2020

Group	Note	Attributable to Equity Holders of the Company											Non-controlling interests RM'000	Total equity RM'000
		← Non-Distributable →								Distributable		Total RM'000		
										← Retained earnings →				
		Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedging deficit RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Treasury shares RM'000	Non-participating funds RM'000	RM'000			
At 1 April 2019		5,751,557	450,158	479,970	(12,074)	94,089	5,295	(31,483)	–	45,715	10,907,726	17,690,953	999,499	18,690,452
Profit for the financial year		–	–	–	–	–	–	–	–	–	1,340,715	1,340,715	112,118	1,452,833
Other comprehensive income/ (loss), net		–	–	155,341	(16,081)	14,578	–	–	–	–	480	154,318	461	154,779
Total comprehensive income/ (loss) for the financial year		–	–	155,341	(16,081)	14,578	–	–	–	–	1,341,195	1,495,033	112,579	1,607,612
Disposal of shares held in trust for ESS		–	–	–	–	–	–	31,483	–	–	(12,385)	19,098	–	19,098
Buy-back of shares		–	–	–	–	–	–	–	(26,916)	–	–	(26,916)	–	(26,916)
Share-based payment under ESS, net		–	–	–	–	–	35,277	–	–	–	–	35,277	–	35,277
Dividend for ESS shares not vested		–	–	–	–	–	–	–	–	–	1,293	1,293	–	1,293
Transfer from regulatory reserve		–	(62,630)	–	–	–	–	–	–	–	62,630	–	–	–
Transfer from retained earnings arising from redemption of preference shares by a subsidiary	16(a)(3)(i)	100,000	–	–	–	–	–	–	–	–	(100,000)	–	–	–
Dividend accrued for ESS shares		–	–	–	–	–	–	–	–	–	(1,001)	(1,001)	–	(1,001)
Return of capital by a subsidiary	16(a)(3)(iii)	–	–	–	–	–	–	–	–	–	–	–	(49,000)	(49,000)
Dividends paid	41	–	–	–	–	–	–	–	–	–	(632,965)	(632,965)	(83,810)	(716,775)
Transactions with owners and other equity movements		100,000	(62,630)	–	–	–	35,277	31,483	(26,916)	–	(682,428)	(605,214)	(132,810)	(738,024)
At 31 March 2020		**5,851,557**	**387,528**	**635,311**	**(28,155)**	**108,667**	**40,572**	**–**	**(26,916)**	**45,715**	**11,566,493**	**18,580,772**	**979,268**	**19,560,040**

Statements of Changes in Equity

For the financial year ended 31 March 2020

Company	Note	Attributable to Equity Holders of the Company				
			← Non-Distributable →		Distributable	
		Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2018		5,550,250	17,428	(41,620)	3,525,115	9,051,173
Profit for the financial year		–	–	–	1,090,830	1,090,830
Total comprehensive income for the financial year		–	–	–	1,090,830	1,090,830
Purchase of shares pursuant to ESS[1]		–	–	(183)	–	(183)
Share-based payment under ESS, net		–	(5,270)	–	–	(5,270)
ESS shares vested to employees		–	(6,863)	10,320	(236)	3,221
Dividend for ESS shares not vested		–	–	–	5,629	5,629
Dividends paid	41	–	–	–	(452,128)	(452,128)
Transactions with owners and other equity movements		–	(12,133)	10,137	(446,735)	(448,731)
At 31 March 2019		5,550,250	5,295	(31,483)	4,169,210	9,693,272

Company	Note	Attributable to Equity Holders of the Company					
			← Non-Distributable →			Distributable	
		Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2019		5,550,250	5,295	(31,483)	–	4,169,210	9,693,272
Profit for the financial year		–	–	–	–	817,636	817,636
Total comprehensive income for the financial year		–	–	–	–	817,636	817,636
Disposal of shares held in trust for ESS		–	–	31,483	–	(12,385)	19,098
Buy-back of shares		–	–	–	(26,916)	–	(26,916)
Share-based payment under ESS, net		–	35,277	–	–	–	35,277
Dividend for ESS shares not vested		–	–	–	–	1,293	1,293
Dividend accrued for ESS shares		–	–	–	–	(1,001)	(1,001)
Dividends paid	41	–	–	–	–	(632,965)	(632,965)
Transactions with owners and other equity movements		–	35,277	31,483	(26,916)	(645,058)	(605,214)
At 31 March 2020		**5,550,250**	**40,572**	**–**	**(26,916)**	**4,341,788**	**9,905,694**

[1] *Represents the purchase of 48,350 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM3.79 per share.*

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 March 2020

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation and zakat		1,782,856	2,095,374	819,056	1,092,707
Adjustments for:					
Amortisation of fair value gain on terminated hedges	9	(2,787)	(7,812)	–	–
Amortisation of intangible assets	35	108,908	118,394	–	–
Amortisation of issuance costs of debt capital	26(a)	–	496	–	415
Amortisation of issuance costs and premium for term funding	25	4,293	4,574	–	–
Net accretion of discount for securities		(89,821)	(294,392)	–	–
Capital repayment from subsidiary	34	–	–	–	(25,000)
Depreciation of property and equipment	35	62,866	50,712	219	264
Depreciation of right-of-use assets	35	81,210	–	–	–
Interest on lease liabilities	35	10,141	–	–	–
Provision for reinstatement of leased properties	35	307	–	–	–
Gain on disposal of properties and equipment		(1,635)	(2,754)	(103)	–
Dividend income	34	(7,806)	(2,897)	(851,836)	(1,122,065)
Impairment loss on financial investments	38	46,528	11,837	–	–
Impairment loss on subsidiary	16(a)	–	–	12,888	24,083
Writeback for impairment loss of other financial assets and insurance receivables	38, 53(IV),(VI)	(9,910)	(2,781)	–	–
Property and equipment written off	35	61	61	–	–
Intangible assets written off	35	–	74	–	–
Allowance for expected credit losses on loans, advances and financing, net	37	666,412	536,097	–	–
Net gain on revaluation of derivatives		(197,119)	(103,858)	–	–
Unrealised gain on revaluation of hedged item arising from fair value hedge	9	(14,479)	(3,812)	–	–
Net gain on sale of financial assets at fair value through profit or loss		(52,111)	(48,624)	–	–
Net gain on sale of financial investments at fair value through other comprehensive income		(98,384)	(31,590)	–	–
Net gain on redemption of financial investments at amortised cost	34	(11,676)	–	–	–
Loss/(Gain) on disposal of foreclosed properties	34	1	(21,336)	–	–
Net loss on revaluation of financial assets at fair value through profit or loss		19,240	33,751	–	–
Writeback of allowances for expected credit losses on commitments and contingencies	27(d)	(21,777)	(7,585)	–	–
Writeback of provision for commitments and contingencies	27(c)	(490)	(1,704)	–	–
Scheme shares granted under Executives' Share Scheme ("ESS")	35	35,263	(5,269)	–	(270)
Share in results of associates and joint ventures		3,140	(20,427)	–	–
Unrealised foreign exchange loss on term funding	25(a)(iii), 25(c)	38,267	88,580	–	–
Operating profit/(loss) before working capital changes carried forward		2,351,498	2,385,109	(19,776)	(29,866)

Statements of Cash Flows

For the financial year ended 31 March 2020

	Note	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000	Company 31 March 2020 RM'000	Company 31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		2,351,498	2,385,109	(19,776)	(29,866)
Decrease/(Increase) in operating assets:					
Deposits and placements with banks and other financial institutions		3,283	12,318	–	–
Financial assets at fair value through profit or loss		6,919,750	(5,721,450)	(34)	(36)
Loans, advances and financing		(6,073,320)	(6,148,778)	–	–
Statutory deposits with Bank Negara Malaysia		2,666,535	(318,700)	–	–
Other assets		(721,352)	160,448	700	3,598
Reinsurance assets and other insurance receivables		76,243	15,402	–	–
Increase/(Decrease) in operating liabilities:					
Deposits from customers		6,050,722	11,110,802	–	–
Investment accounts of customers		(144,725)	214,496	–	–
Deposits and placements of banks and other financial institutions		2,334,202	4,255,140	–	–
Securities sold under repurchase agreements		1,013,287	5,339,422	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad		481,671	384,731	–	–
Term funding		(1,175,575)	(788,113)	–	(500,000)
Other liabilities		241,376	186,694	49,814	6,714
Insurance contract liabilities and other insurance payables		(214,085)	(70,263)	–	–
Cash generated from/(used in) operations		13,809,510	11,017,258	30,704	(519,590)
Taxation and zakat paid, net		(475,776)	(262,482)	(2,021)	(1,611)
Net cash generated from/(used in) operating activities		13,333,734	10,754,776	28,683	(521,201)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of financial investments		(3,431,761)	(8,055,012)	–	–
Dividend income received from other investments		7,806	2,861	–	–
Capital repayment from subsidiary		–	–	–	25,000
Proceeds from disposal of property and equipment		438	2,858	228	–
Proceeds from disposal of shares by the appointed trustee		19,098	–	19,098	–
Net proceeds from disposal of assets held for sale (properties)		8,868	10,584	–	–
Purchase of property and equipment	19	(58,436)	(31,726)	–	–
Purchase of intangible assets	20	(87,358)	(91,837)	–	–
Dividend received from subsidiaries	34	–	–	851,836	1,122,065
Subscription of shares in subsidiary	16(a)(4)(ii)	–	–	–	(177,257)
Subscription of shares in joint venture	17	–	(6,000)	–	–
Purchase of shares by the appointed trustee		–	(183)	–	(183)
Purchase of treasury shares	29	(26,916)	–	(26,916)	–
Dividend received from associate		7,321	7,248	–	–
Net cash (used in)/generated from investing activities		(3,560,940)	(8,161,207)	844,246	969,625

Statements of Cash Flows

For the financial year ended 31 March 2020

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend refunded by Trustee for ESS shares not vested		1,293	5,629	1,293	5,629
Repayment of Innovative Tier 1 Capital	26(b)	(485,000)	–	–	–
Repayment of Subordinated Sukuk	26(a)	–	(750,000)	–	–
Repayment of Medium Term Notes	26(c)(i)	–	(600,000)	–	–
Repayment of Non-Innovative Tier 1 Capital	26(c)(ii)	–	(500,000)	–	–
Repayment of lease liabilities	27(e)	(81,522)	–	–	–
Dividends paid by the Company to its shareholders	41	(632,965)	(452,128)	(632,965)	(452,128)
Dividends paid to non-controlling interests	41	(83,810)	(242,630)	–	–
Issuance of Subordinated Notes/sukuk	26(a)	–	1,500,000	–	–
Return of capital to non-controlling interest		(49,000)	–	–	–
Net cash used in financing activities		(1,331,004)	(1,039,129)	(631,672)	(446,499)
Net increase in cash and cash equivalents		8,441,790	1,554,440	241,257	1,925
Cash and cash equivalents at beginning of the financial year (Note a)		7,270,046	5,715,856	81,005	79,080
Effect of exchange rate changes		83	(250)	–	–
Cash and cash equivalents at end of the financial year (Note a)		15,711,919	7,270,046	322,262	81,005

Note a: Cash and Cash Equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Cash and short-term funds	6	15,611,728	7,073,744	322,262	81,005
Deposits and placements with banks and other financial institutions	8	98,845	196,159	–	–
		15,710,573	7,269,903	322,262	81,005
Less: Deposits with original maturity of more than 3 months	8	–	(3,283)	–	–
		15,710,573	7,266,620	322,262	81,005
Add:					
Allowances for expected credit loss ("ECL") for cash and cash equivalents	6 and 8	1,346	3,426	–	–
Cash and cash equivalents		15,711,919	7,270,046	322,262	81,005

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("AMMB") (or "the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on the main market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 16, provide a wide range of wholesale banking, business banking, retail banking, investment banking and related financial services which also include Islamic banking business, underwriting of general insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trust management services. There have been no significant changes in the nature of the principal activities during the financial year.

The consolidated financial statements of the Company and its subsidiaries ("AMMB Group" or "the Group") and the separate financial statements of the Company have been approved and authorised for issue by the Board of Directors on 6 May 2020.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the financial statements.

2.2 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), and the requirements of the Companies Act 2016 in Malaysia.

2.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e. "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 48.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2020.

Subsidiaries are entities (including structured entities) over which the Group has control.

The Group controls an investee if, and only if, the Group has:

– power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
– exposure, or rights, to variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

Generally, control is established when the Group holds a majority of the voting rights of an investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

– the contractual arrangement with the other vote holders of the investee;
– rights arising from other contractual arrangements; and
– the size of the Group's voting rights and potential voting rights relative to the size and dispersion of voting rights and potential rights held by the other vote holders.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and cash flows of a subsidiary are included in the consolidated financial statements, from the date the Group gains control until the date the Group ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as transaction with equity owners of the Group. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises any consideration received at its fair value;
- recognises any investment retained at its fair value;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss, or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.5 Summary of significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the acquisition date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. For financial liabilities, this includes the separation of embedded derivatives in host contracts by the acquiree.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or a financial liability is recognised in accordance with MFRS 9 *Financial Instruments* ("MFRS 9") in profit or loss. If the contingent consideration is not within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with MFRS 8 *Operating Segments* ("MFRS 8").

Where goodwill has been allocated to a CGU (or a group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amounts are recognised in profit or loss.

(c) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, i.e. joint control, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates or joint ventures since the acquisition date. Dividends received or receivable from an associate or a joint venture are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associates or joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

The aggregate of the Group's share of profit or loss of the associates and joint ventures is shown on the face of the statement of profit or loss and represents profit or loss after tax and non-controlling interests in the associates or joint ventures.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interests in the investee, including any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Nevertheless, no adjustment is made to the accounting policies relating to financial instruments of any associate or joint venture with activities that are predominantly connected with insurance if the associate or joint venture concerned applies the temporary exemption from MFRS 9.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associates or joint ventures and their carrying values, then recognises the loss as "impairment loss on associates or joint ventures" in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture respectively, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates or joint ventures are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amounts are recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(d) Transactions with non-controlling interests

Non-controlling interests represent the portion of equity in subsidiaries not held directly or indirectly by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position, respectively. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. In such circumstances, the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributable to the owners of the Group.

(e) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements and the Company's separate financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the entities within the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot exchange rate at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(iii) Foreign subsidiaries and operations

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their profit or loss items are translated at the average exchange rates for the financial year. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is reclassified to profit or loss.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(f) Property, plant and equipment (cont'd.)

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold land has an unlimited life and therefore, is not depreciated. Depreciation of other property and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets.

The annual depreciation rates for the various classes of property, plant and equipment are as follows:

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short term lease (whichever is shorter)
Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.33%
Office equipment, furniture and fittings	10% to 50%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if the expectations differ from previous estimates.

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on whether the arrangement conveys a right to control the use of asset, even if that right is not explicitly specified in an arrangement.

(i) The Group as a lessee (Policy applicable from 1 April 2019)

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received (if any). Unless the Group is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

The Group applies the short-term lease recognition exemption to its short-term leases, i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value, i.e. those with a value of RM20,000 or less when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(g) Leases (cont'd.)

(ii) The Group as a lessee (Policy applicable before 1 April 2019)

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases, and are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The corresponding lease obligations, net of finance charges, are included in other short-term and long-term payables. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

(iii) The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised over the term of the lease on a straight-line basis. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(h) Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually, or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(h) Intangible assets, other than goodwill arising from business combination (cont'd.)

(i) Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual software project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development; and
- the ability to use the intangible asset generated.

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 10 years. During the period of development, the asset is tested for impairment annually.

(i) Financial instruments – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. The Group and the Company apply trade date accounting for derivative financial instruments and investments in equity instruments, and settlement date accounting for investments in debt instruments.

(ii) Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Group and the Company immediately recognise the difference between the transaction price and fair value (a "Day 1" profit or loss) in "investment and trading income" provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

(j) Financial assets – classification and subsequent measurement

The Group and the Company classify its financial assets in the following measurement categories:

- Amortised cost; or
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

2. **ACCOUNTING POLICIES (CONT'D.)**

2.5 Summary of significant accounting policies (cont'd.)

(j) Financial assets – classification and subsequent measurement (cont'd.)

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

Business model

The business model reflects how the Group and the Company manage the financial assets in order to generate cash flows. That is, whether the Group's and the Company's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held-for-trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Group and the Company in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest ("SPPI"). In making this assessment, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Group and the Company classify the debt instruments into one of the following three measurement categories:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the methodology described in Note 2.5(p). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included in "interest income" in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in "impairment losses on financial investments" for bonds, "impairment losses on loans, advances and financing" for loans, advances and financing or "doubtful receivables" for losses other than bonds, loans, advances and financing.

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through OCI, except for the recognition of impairment losses (measured using the methodology described in Note 2.5(p), interest income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "interest income" using the effective interest method. The losses arising from impairment are reclassified from OCI to profit or loss in "impairment losses on financial investments". When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss and recognised in "other operating income".

FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within "investment and trading income". Interest earned whilst holding the assets are reported as "interest income" using the effective interest method.

In addition, financial assets that meet the criteria for amortised cost or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in profit or loss and presented within "investment and trading income". Interest earned is recognised in "interest income" using the effective interest method.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(j) Financial assets – classification and subsequent measurement (cont'd.)

(ii) Reclassification of debt investments

The Group and the Company reclassify debt investments when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial year.

(iii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Company subsequently measure all equity investments at FVTPL, except where the management has elected at initial recognition to irrevocably designate an equity investment that is not held-for-trading at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in profit or loss as "other operating income" when the right to the payment has been established.

Gains and losses on equity investments at FVTPL, including dividends earned, are included in "investment and trading income" in profit or loss.

(k) Financial liabilities – classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

– financial liabilities at FVTPL; and
– financial guarantee contracts and loan commitments (see Note 2.5(y)).

(i) Amortised cost

Financial liabilities issued by the Group and the Company, that are not designated at FVTPL, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(ii) FVTPL

This classification is applied to derivatives, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in OCI (being the amount of change in the fair value of the financial liability that is attributable to changes in credit risk of that liability) and partially in profit or loss (i.e. the remaining amount of change in fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(l) Derecognition of financial instruments

(i) Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

– the rights to receive cash flows from the asset have expired; or
– the Group and the Company have transferred rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:

  – the Group and the Company have transferred substantially all the risks and rewards of the asset; or
  – the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred rights to receive cash flows from an asset or have entered into a pass-through arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

(ii) Modification of loans, advances and financing

The Group sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

– if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
– whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the loan;
– significant extension of the loan term when the borrower is not in financial difficulty;
– significant change in the interest rate;
– change in the currency the loan is denominated in; or
– insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognise a "new" asset at fair value and recalculate a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the borrower being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. The difference in the respective carrying amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial liability and are amortised over the remaining term of the modified financial liability.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(m) Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in the statement of financial position to "financial assets at FVTPL pledged as collateral" or to "financial investments at FVOCI pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "securities purchased under resale agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "financial liabilities at FVTPL" and measured at fair value with any gains or losses included in "investment and trading income".

(n) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in "investment and trading income".

(o) Fair value measurement

The Group measures financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– in the principal market for the asset or liability; or
– in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(o) Fair value measurement (cont'd.)

For assets or liabilities that are recognised at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 51.

The fair value hierarchies of financial assets, financial liabilities and non-financial assets that are not measured at fair value, but for which fair value is disclosed, are also disclosed in Note 51.

(p) Financial instruments – expected credit losses

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECL") associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Company recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

– an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
– the time value of money; and
– reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring or a change in forward-looking adjustments after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

The methodology applied in measuring ECL is explained in Note 50.2.

Loans together with the associated allowance are written off when all practical recovery efforts has been exhausted and there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Group. The Group may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

(i) Rescheduled and restructured loans

Where possible, the Group seeks to reschedule or restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been rescheduled or restructured, any impairment is measured using the original EIR as calculated before the modification of terms. Management continually reviews impaired rescheduled or restructured loans for a certain period to ensure all terms are adhered to and that future payments are likely to occur before reclassification back to performing status.

(ii) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as property valuers, mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 50.2 for further analysis of collateral).

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(p) Financial instruments – expected credit losses (cont'd.)

(iii) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics, business model and the cash flow characteristics, and are measured at their fair value in the same manner as described in Note 2.5(i)(ii). Repossessed non-financial assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value and the carrying value of the original secured asset. Repossessed assets that are determined better to be sold are immediately transferred to assets held for sale if the sale is deemed highly probable within a short period following the repossession, whereby financial assets are measured at their fair value whereas non-financial assets are measured at the lower of fair value less cost to sell at the repossession date and the carrying value of the original secured asset.

(q) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Hedge ineffectiveness is recognised in profit or loss. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in "investment and trading income" in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in "investment and trading income" in the statement of profit or loss.

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the "cash flow hedge reserve", while any ineffective portion is recognised immediately in "investment and trading income" in the statement of profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(iii) Hedges of a net investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(r) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(s) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill and intangible assets with indefinite useful lives, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following assets have specific characteristics for impairment testing:

(i) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(t) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts. The policy for the measurement of foreclosed properties is in accordance with Note 2.5(p)(iii) on collateral repossessed.

(u) Cash and cash equivalents

Cash and short-term funds in the statements of financial position comprise cash and bank balances with banks and other financial institutions and short-term deposits maturing within one month.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than 3 months and net of outstanding bank overdrafts.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(v) Assets held for sale

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the sale is probable and the assets are available for immediate sale in their present condition, management has committed to the sale and the sale is expected to have been completed within one year from the date of the classification. Such assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in profit or loss.

Additional disclosures are provided in Note 55. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

(x) Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured with sufficient reliability. The contingent liability is not recognised but instead is disclosed in the financial statements. A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(y) Financial guarantee contracts and loan commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note 2.5(p)) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Loan commitments provided by the Group are measured at the amount of the loss allowance (calculated as described in Note 2.5(p)).

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(z) Recognition of income and expenses

Operating revenue of the Group comprises all types of revenue derived from commercial banking and non-financial services rendered by the subsidiaries.

Operating revenue of the Company comprises gross interest income and other income.

(A) Recognition of income and expenses relating to financial instruments

(i) Interest/financing income and similar income and expense

For all interest-bearing financial assets and financial liabilities measured at amortised cost, interest bearing financial investments at FVOCI and financial assets and financial liabilities at FVTPL, interest/financing income or expense is calculated using the effective interest method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

(ii) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits will flow to the Group and the amount of payment can be reliably measured. The conditions are generally met when shareholders approve the dividend.

(iii) Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial investments held-for-trading classified as financial assets at FVTPL. This includes any ineffectiveness recorded in hedging transactions.

(B) Recognition of revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer have approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties. If the amount of consideration varies, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(z) Recognition of income and expenses (cont'd.)

(B) Recognition of revenue from contracts with customers (cont'd.)

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Revenue is recognised over time if the control over the goods or services is transferred over time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The following specific recognition criteria must be met before revenue is recognised:

(i) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a period of time

Fees earned for the provision of services over a period of time are accrued over that period by reference to the stage of completion of the services. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees. Loan commitment fees for loans that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Revenue from sale of unit trusts is recognised upon allotment of units, net of cost of units sold or as a percentage of sales value.

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which the award credits are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the transaction on a relative stand-alone selling price basis. If stand-alone selling price of the other component is uncertain, the Group estimates the stand-alone selling price by reference to the total transaction price less the fair value of the award credits. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

(aa) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and are measured at the amounts paid or expected to be paid when the liabilities are settled. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution pension plan

The Group makes contributions to the Employee Provident Fund ("EPF"), as well as defined contribution private retirement schemes in Malaysia. Such contributions are recognised as an expense in profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(aa) Employee benefits (cont'd.)

(iii) Defined benefit plans

The calculation of defined benefit liability, based on the present value of the defined benefit obligations at the end of the reporting less the fair value of plan assets, is performed annually by qualified actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligations.

The Group recognises the following changes in the net defined benefit obligations in profit or loss:

– service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
– net interest expense or income.

Past service costs are recognised in profit or loss on the earlier of:

– the date of the plan amendment or curtailment; or
– the date that the Group recognises restructuring-related costs.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding net interest) and the effect of the asset ceiling (if any, excluding net interest), are recognised immediately in OCI in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to profit or loss in subsequent periods.

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(v) Share-based payment transactions

The Company operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on certain financial and performance criteria and such conditions as it may deem fit.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Profit or loss expense or credit for the period is recorded in "personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in "personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(ab) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared.

Dividends for the year that are approved between the end of the reporting period and the date the financial statements are authorised for issue are disclosed as an event after the reporting period.

(ac) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior financial years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss. Current taxes relating to items recognised in OCI or directly in equity is recognised in OCI or equity respectively.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
– in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
– in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(ad) Zakat

This represents business zakat payable by the Group to comply with Shariah principles as approved by AmBank Islamic's Shariah Committee. Zakat provision is calculated by reference to the zakat rate of 2.5% of the net profit after tax of AmBank Islamic. The amount of zakat assessed is recognised as an expense in the period in which it is incurred.

In the financial year, the Group has fulfilled its obligation to pay business zakat to state zakat authorities and other identified beneficiaries (asnaf) comprising poor and needy students under the student adoption programme, flood victims and non-governmental organisations.

(ae) Earnings Per Share ("EPS")

The Group presents basic and diluted EPS data for its ordinary shares in Note 40. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(af) Segment reporting

Segment reporting in the financial statements are presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Reportable segments are operating segments or aggregations of operating segments of similar economic characteristics that meet specific aggregation criteria.

(ag) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Changes in the fair value of the ordinary shares are not recognised in the financial statements.

(ah) Shares held in trust for ESS and contracts on own shares

Own equity instruments of the Company that are acquired by the Company for the ESS are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Company holds own equity instruments on behalf of their clients, those holdings are not included in the Company's statement of financial position.

(ai) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not recognised as assets of the Group.

(aj) Insurance product classification

The Group issues contracts that transfer insurance risks or financial risks or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts under when the Group has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the insurer determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(aj) Insurance product classification (cont'd.)

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this financial year, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Group currently only issues contracts that transfer insurance risk.

(ak) Reinsurance

The Group cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to the policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The Group also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums, contributions or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(al) Insurance receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective yield method.

The Group assesses on a forward-looking basis the ECL associated with its insurance receivables. The Group recognises a loss allowance for such losses at each reporting date in profit or loss. The ECL is calculated using the same methodology applied for financial assets carried at amortised cost, as detailed in Note 2.5(p).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.5(l), have been met.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(am) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account premiums, movements in premiums and claims liabilities and commissions.

(i) Gross premiums

Gross premiums are recognised as income in a financial year in respect of risks assumed during the particular financial year.

(ii) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial year in respect of the facultative risk assumed during the particular financial year, as the case of direct policies, following individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(iii) Premium liabilities

Premium liabilities represent the Group's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.5(an).

(iv) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

(v) Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(an) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital ("RBC") Framework for Insurers issued by Bank Negara Malaysia ("BNM").

These liabilities comprise claims liabilities and premium liabilities.

(i) Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the Group, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserve ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claims liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (cont'd.)

(an) General insurance contract liabilities (cont'd.)

(ii) Premium liabilities

Premium liabilities are recorded at the higher of the following:

- aggregate of the unearned premium reserves ("UPR"); and
- the best estimate value of the Group's unexpired risk reserve ("URR") as at the valuation date and the PRAD calculated at the overall level.

(iii) UPR

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

In determining UPR at the end of the reporting period, the method that most accurately reflect the actual unearned premium used is as follows:

i. 25% method for Malaysian marine cargo, aviation cargo and transit business;
ii. URR Daily time apportionment method for all other classes; and
iii. 1/24th method for inward treaty business.

(iv) URR

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the Group's expenses, including overheads and cost of reinsurance expected to be incurred during administering these policies and settling the relevant claims and expected future premium refunds. The URR is discounted at a risk free rate.

(v) Liability adequacy test

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test ("LAT") is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of amendments and annual improvements to standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to published standards which became effective for the first time for the Group and the Company on 1 April 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Long-term interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)
- Annual Improvements to MFRSs 2015-2017 Cycle

The adoption of these new standards, amendments to published standards and new interpretation did not have any material impact on the financial statements of the Group and of the Company except for those arising from the adoption of MFRS 16 as disclosed below. Other than the adoption of new accounting policies as disclosed in Note 2.5(g), the Group and the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to published standards and new interpretation.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.1 Adoption of amendments and annual improvements to standards (cont'd.)

The nature of the new standards, amendments to published standards and new intepretation relevant to the Group and the Company are described below:

(a) MFRS 16 *Leases*

As a lessee, the Group previously classified each of its leases as operating leases (off balance sheet) in accordance with MFRS 117 *Leases* if the arrangements do not transfer substantially all the risks and rewards incidental to ownership of the leased assets to the Group; otherwise, they were classified as finance leases (on balance sheet).

MFRS 16, which supersedes MFRS 117, eliminates the classification of leases by the lessee as either finance leases or operating leases. MFRS 16 requires a lessee to account for all leases under a single on balance sheet model similar to the accounting for a finance lease under MFRS 117 which involves the recognition of a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the statements of profit or loss.

The Group has adopted MFRS 16 for the first time since 1 April 2019. In its transition to MFRS 16, the Group has elected to apply the simplified transition approach whereby the comparative amounts were not restated. For leases previously classified as operating leases with remaining lease term greater than 12 months from the date of initial application, the Group recognised the lease liabilities at the date of initial application which were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Correspondingly, the Group recognised the right-of-use assets at an amount equal to the lease liabilities and hence the Group did not make any adjustment to the opening retained earnings. In addition, the Group has made use of the following transitional practical expedients for recognition and measurement purposes at the date of initial application.

(i) The Group has elected not to reassess whether an agreement is, or contains a lease at the date of initial application. Instead, for agreements entered into before the transition date, the Group relied on its previous assessments made in accordance with MFRS 117 and IC Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Lease agreements for which the remaining lease term ends within 12 months from the date of initial application are accounted as short-term leases whereby the Group has elected not to recognise the associated right-of-use assets and lease liabilities.

(iii) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.

(iv) Initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application.

The Group has elected not to recognise a right-of-use asset and a lease liability for short-term leases, i.e. leases without purchase option with a lease term of 12 months or less from the commencement date. Similarly, the Group will not recognise a right-of-use asset and a lease liability on leases for which the underlying asset is of low value.

The financial impact of the adoption of MFRS 16 on the financial statements of the Group is as disclosed in Note 56.

(b) IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities in situations where there is uncertainty over whether the tax treatment applied by an entity will be accepted by the tax authority. If it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, the accounting for income taxes shall be determined consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made, by applying the most likely amount method or the expected value method. The adoption of this Interpretation did not have any material financial impact to the Group and the Company.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.1 Adoption of amendments and annual improvements to standards (cont'd.)

(c) Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under the current MFRS 9 requirements, the "solely payments of principal and interest on the principal amount outstanding" ("SPPI") condition is not met if the lender has to make a settlement payment in the event of early termination by the borrower. The existing requirements are amended to enable entities, to measure at amortised cost or at fair value through other comprehensive income (depending on the business model), some prepayable financial assets with negative compensation if the negative compensation is a reasonable compensation for early termination of the contract. An example of such reasonable compensation is an amount that reflects the effect of the change in the relevant benchmark rate of interest at the time of termination; the calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. The adoption of these amendments did not result in any impact as the Group and the Company do not hold any prepayable financial asset with negative compensation.

(d) Long-term Interests in associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that MFRS 9 including its impairment requirements shall be applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The adoption of these amendments did not result in any impact as the Group's net investments in the associates and joint ventures do not include any long-term financial assets that are in the scope of MFRS 9.

(e) Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

Currently, MFRS 119 did not specify how current service cost and net interest should be determined for the remainder of the period after a plan amendment, curtailment or settlement. The standard has been amended to mandate the use of updated assumptions from the remeasurement of net defined benefit liability or asset upon a change to the plan to determine current service cost and net interest for the remainder of the period after the change to the plan. The adoption of these amendments did not result in any impact as there is no plan amendment, settlement or curtailment that occurred during the current financial year.

(f) Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include minor amendments affecting 4 MFRSs, as summarised below:

(i) MFRS 3 *Business Combinations*

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall remeasure its previously held interest in the joint operation at fair value at the acquisition date. The amendment has no impact as the Group does not hold interest in any joint operation.

(ii) MFRS 11 *Joint Arrangements*

The amendments clarified that the party obtaining joint control of a business that is a joint operation shall not remeasure any previously held interest in the joint operation. The amendment has no impact as the Group does not hold interest in any joint operation.

(iii) MFRS 112 *Income Taxes*

The amendments clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated the distributable amounts were recognised. Hence the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits. The amendment did not have any material financial impact to the Group and the Company.

(iv) MFRS 123 *Borrowing Costs*

The amendments clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendment did not have any material financial impact to the Group and the Company.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective

The following are standards and amendments to published standards issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements. The Group and the Company intend to adopt the relevant standards and amendments to published standards when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Definition of a Business (Amendments to MFRS 3)	1 January 2020
Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)	1 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

The nature of the new standards, amendments to published standards and new interpretation that are issued and relevant to the Group and the Company but not yet effective are described below. The Group and the Company are currently assessing the financial effects of their adoption.

(I) Amendments to published standards effective for financial year ending 31 March 2021

Amendments to References to the Conceptual Framework in MFRS Standards

The amendments, affecting nine published standards and five published interpretations, were issued as a consequence to the issuance of the revised Conceptual Framework for Financial Reporting ("Conceptual Framework") on 30 April 2018. The references and quotations in these published standards and interpretations to the Conceptual Framework have been updated so as to clarify the version of the Conceptual Framework these published standards and interpretations refer to. The amendments are effective for annual periods beginning on or after 1 January 2020 for entities that develop an accounting policy by reference to the Conceptual Framework.

Definition of a Business (Amendments to MFRS 3)

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present.

The amendments are applied prospectively to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

Definition of Material (Amendments to MFRS 101 and MFRS 108)

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgements. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)

The amendments, issued to address the pre-replacement issues arising from the interest rate benchmark reform recommendations by Financial Stability Board, provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform until the uncertainty arising from this reform is longer present.

The interest rate benchmark reform may affect the application of cash flow hedge accounting because at some point in time, forecast cash flows based on interbank offered rates may no longer meet the highly probable requirement due to uncertainties arising from interest rate benchmark reform. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Similarly, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform when performing hedge effectiveness assessments. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (cont'd.)

(ii) Standards effective for financial year ending 31 March 2022

MFRS 17 *Insurance Contracts*

MFRS 17 supersedes MFRS 4 *Insurance Contracts*.

MFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time. Entities have an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. Nevertheless, the effective date of MFRS 17 may be deferred by a year to 1 January 2022, subject to the standard setter's consultations. Early application is permitted provided MFRS 9 and MFRS 15 are also applied. A full retrospective application is required; an entity is permitted to choose between a modified retrospective approach and the fair value approach if full retrospective application is impracticable.

The Group plans to adopt MFRS 17 on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Group expects that MFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity of its Insurance business segment.

(iii) Amendments to published standards effective for financial year ending 31 March 2023

Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)

The amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Classification is unaffected by the expectations or intentions of the entity, as well as events after the reporting date. The amendments are applied retrospectively from annual reporting period beginning on or after 1 January 2022. Early adoption is permitted. The amendments are not expected to result in any impact as the Group and the Company present all assets and liabilities in the statements of financial position in order of liquidity.

(iv) Standard effective on a date to be determined by MASB

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

Bank Negara Malaysia ("BNM") letter on Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak

On 24 March 2020, BNM issued a letter to all licensed banks and prescribed development financial institutions on additional measures to be implemented to assist borrowers/ customers experiencing temporary financial constraints due to the COVID-19. These measures include:

(a) automatic moratorium on repayment/payment of loans/financing which is effective for a period of 6 months from 1 April 2020. In relation to any loan/financing that is granted a moratorium, converted or restructured and rescheduled:

(i) the moratorium is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications;
(ii) the loans/financing need not be reported as rescheduled and restructured ("R&R") in the Central Credit Reference Information System ("CCRIS"); and
(iii) the R&R loans/financing need not be classified as credit impaired in CCRIS.

The regulatory treatment above shall also apply to any requests for a moratorium or to reschedule and restructure received by banking institutions on or before 31 December 2020. In addition, the regulatory flexibilities specified in BNM's announcement dated 28 February 2020 on *BNM's Measures to Assist Businesses and Households Affected by the COVID-9 Outbreak* shall continue to be applicable where relevant.

(b) lending/financing limits liberalised as follows:

(i) requirements on lending/financing to the broad property sector, purchase of shares and units of unit trust fund to be uplifted with immediate effect. However, exposures of banking institutions shall continue to comply with the policy documents *Single Counterparty Exposure Limit ("SCEL")*, *Credit Risk* and *Internal Capital Adequacy Assessment Process (Pillar 2)*; and
(ii) limit for exposures to counterparties that are connected to Tenaga Nasional Berhad, Petroliam Nasional Berhad and Telekom Malaysia Berhad based on economic dependence factors set out in the SCEL Policy Document, is temporarily increased from 25% to 35% of a banking institution's total capital, subject to the following:

– the higher limit is only applicable for exposures acquired until 31 December 2021;
– banking institutions must pare down any exposures in excess of 25% of total capital by 31 December 2022; and
– banking institutions shall continue to ensure appropriate risk assessments, monitoring and independent review of exposures in line with the expectations set out in the policy document on *Credit Risk*.

(c) drawdown of prudential buffers. Banking institutions are allowed during this period to:

(i) drawdown the capital conservation buffer of 2.5%;
(ii) operate below the minimum liquidity coverage ratio ("LCR") of 100%; and
(iii) reduce the regulatory reserves held against expected losses to 0%.

Banking institutions will be given reasonable time to rebuild their buffers after 31 December 2020 and restore their buffers to the minimum regulatory requirements by 30 September 2021, subject to public health concerns abating and economic conditions improving.

(d) lowering the minimum Net Stable Funding Ratio ("NSFR") requirement to 80% when the requirement is effective on 1 July 2020 and increasing to 100% from 30 September 2021.

In the same letter, banking institutions are reminded to ensure that any forward-looking information used to incorporate the impact of COVID-19 on the ECL estimates is reasonable and supportable. Banking institutions should also appropriately reflect the temporary nature of the shock, and fully account for the economic and financial support measures that have been announced to mitigate the impact of COVID-19 on the economy. In particular, moratoriums provided to borrowers/customers should not automatically result in a stage transfer under MFRS 9 in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk.

As at 31 March 2020, the Group had incorporated forward-looking ("FL") estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic to businesses, moratorium granted to customers and global oil price slump in the measurement of ECL for all financial assets in the form of FL ECL overlay which amounted to approximately RM167.3 million for the Group. This is reflected in the movements of ECL of RM71,000 (in Note 6 - Cash and short term funds), RM375,000 (in Note 8 – Deposits and placements with banks and other financial institutions), RM6.7 million (in Note 11 – Financial investments at fair value through other comprehensive income), RM1.2 million (in Note 12 – Financial investments at amortised cost), RM142.0 million (in Note 13 – Loans, advances and financing) and RM17.0 million (in Note 27 - Other liabilities) as disclosed in the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

5.1 Measurement of ECL allowances (Notes 6, 8, 11, 12, 13, 18, 27, 37, 38 and 53)

The measurement of the ECL allowances for loan, advances and financing, financial investments measured at amortised cost and FVOCI and loan commitments and financial guarantee contracts requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 50.2 (Credit Risk Management).

Components of ECL models that involve significant judgement includes:

- determining criteria for significant increase in credit risk in the qualitative assessment and the impact of the instrument being measured at lifetime ECL basis due to significant increase in credit risk;
- choosing appropriate models and assumptions including the various formulae and choice of inputs for the measurement of ECL;
- establishing the forward-looking macroeconomic scenarios and the associated probability weightings, which are used in forward-looking ECL measurement; for the current financial year, forward-looking macroeconomic information and assumptions relating to the COVID-19 pandemic have been considered in these scenarios;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- application of the Group's internal credit grading model which assigns Probability of Default ("PD") to the individual grades.

5.2 Lease term of agreements with renewal options (Note 21)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to twelve years. The extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the leased asset. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group included the renewal period as part of the lease term for most of its leases of premises due to the significance of these assets to its operations.

5.3 Impairment of goodwill (Note 20)

The Group tests annually whether the goodwill that has an indefinite life is impaired by measuring the recoverable amount of the CGU based on the value-in-use method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

5.4 Deferred tax assets (Note 15) and income taxes (Note 39)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Significant judgement is required in estimating the provision for income taxes. For some transactions or events, the final outcome could not be established until some time later. Liabilities for taxation are recognised based on estimates of whether the payment of additional taxes are probable. The estimation process may involve seeking advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.5 Fair value measurement of financial instruments (Notes 9, 10, 11 and 51)

When the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required to establish fair values. Judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

5.6 Development costs (Note 20)

Costs incurred in the development and implementation of software systems for the Group are capitalised as development costs if specific criteria are met. In determining whether the costs are capitalisable, management applies judgement to ascertain the technical feasibility of completing the intangible asset, which is usually evidenced by the achievement of defined milestone according to an established project management model.

5.7 General insurance business – valuation of general insurance contract liabilities (Note 53(VI))

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios, Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the insurer's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. We use discounting and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

5.8 Uncertainty in accounting estimates for general insurance business (Note 53 (VII))

The principal uncertainty in the insurer's general insurance business arises from the technical provisions which include the premium liabilities and claims liabilities. The premium liabilities comprise UPR, URR and PRAD while claims liabilities comprise provision for outstanding claims.

Generally, premium and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the insurer's/ reinsurer's projections.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurer. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

5.9 Pipeline premium

The insurance subsidiary has recognised gross pipeline premium for the current financial year. Estimation made by the subsidiary is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.10 Defined benefits plan (Note 27)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

6. CASH AND SHORT-TERM FUNDS

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Cash and balances with banks and other financial institutions	2,484,253	1,468,715	322,262	81,005
Deposits and placements maturing within one month				
Licensed banks	378,474	3,767,374	–	–
Bank Negara Malaysia	12,386,220	1,826,000	–	–
Other financial institutions	363,642	13,006	–	–
	13,128,336	5,606,380	–	–
	15,612,589	7,075,095	322,262	81,005
Less: Allowances for ECL	(861)	(1,351)	–	–
	15,611,728	7,073,744	322,262	81,005

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
Balance at beginning of the financial year		983	–	983
Net remeasurement of allowances	38	298	32	330
Exchange difference		39	(1)	38
Balance at end of the financial year		1,320	31	1,351

6. CASH AND SHORT-TERM FUNDS (CONT'D.)

Group 31 March 2020	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
Balance at beginning of the financial year		1,320	31	1,351
(Writeback of)/Allowances for ECL	38	(508)	(4)	(512)
Transfer from deposits and placements with banks and other financial institutions	8	4,432	–	4,432
New financial assets originated		198	30	228
Financial assets derecognised		(4,873)	(36)	(4,909)
Changes in model assumptions and methodologies	4	71	–	71
Net remeasurement of allowances		(336)	2	(334)
Exchange difference		21	1	22
Balance at end of the financial year		833	28	861

The decrease in carrying amount of the Group's deposits and placement with foreign licensed banks had decreased the allowances for ECL by RM490,000.

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amount represents the liabilities in correspondence to the cash received from the sales of securities under repurchase agreements, whereby the securities are not derecognised as the Group retains substantially all of the risks and rewards of ownership of the securities.

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Deposits and placements with licensed banks maturing more than one month:				
Licensed banks	99,330	198,234	–	–
Less: Allowances for ECL	(485)	(2,075)	–	–
	98,845	196,159	–	–
Of which deposits and placements with original maturity of:				
Three months or less	99,330	194,951	–	–
More than three months	–	3,283	–	–
	99,330	198,234	–	–

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONT'D.)

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000
Balance at beginning of the financial year		–
Net remeasurement of allowances	38	2,075
Balance at end of the financial year		2,075

Group 31 March 2020	Note	Stage 1 12-month ECL RM'000
Balance at beginning of the financial year		2,075
(Writeback of)/Allowances for ECL	38	(1,590)
Transfer to cash and short-term funds	6	(4,432)
New financial assets originated		2,570
Net remeasurement of allowances		(103)
Changes in model assumptions and methodologies	4	375
Balance at end of the financial year		485

The decrease of RM1,590,000 mainly due to transfer to cash and short term funds offset by the increase in new financial assets originated, and FL ECL overlay.

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	31 March 2020 Contract/ Notional Amount RM'000	31 March 2020 Fair Value Assets RM'000	31 March 2020 Fair Value Liabilities RM'000	31 March 2019 Contract/ Notional Amount RM'000	31 March 2019 Fair Value Assets RM'000	31 March 2019 Fair Value Liabilities RM'000
Trading derivatives						
Interest/Profit rate related contracts:	52,282,175	904,576	1,018,349	50,375,833	271,496	282,274
– One year or less	9,748,960	31,565	35,216	6,990,942	5,238	5,625
– Over one year to three years	23,674,467	282,051	306,685	19,781,143	57,841	62,843
– Over three years	18,858,748	590,960	676,448	23,603,748	208,417	213,806
Foreign exchange related contracts:	44,371,910	947,441	680,939	41,370,547	471,135	487,177
– One year or less	34,805,859	559,303	401,710	35,768,559	133,011	188,279
– Over one year to three years	4,529,891	136,246	133,423	3,471,372	69,209	109,736
– Over three years	5,036,160	251,892	145,806	2,130,616	268,915	189,162
Credit related contracts:	356,069	1,954	665	345,108	5,417	768
– Over one year to three years	356,069	1,954	665	345,108	5,417	768
Equity and commodity related contracts:	1,769,895	223,310	226,193	1,050,698	15,875	16,692
– One year or less	1,637,855	206,284	209,063	860,041	12,886	13,703
– Over one year to three years	58,823	9,219	9,319	190,657	2,989	2,989
– Over three years	73,217	7,807	7,811	–	–	–
	98,780,049	2,077,281	1,926,146	93,142,186	763,923	786,911
Hedging derivatives						
Interest rate related contracts:						
Interest rate swaps:						
Cash flow hedge	715,000	–	7,269	2,305,000	–	27,240
– One year or less	600,000	–	4,121	330,000	–	484
– Over one year to three years	115,000	–	3,148	1,095,000	–	12,660
– Over three years	–	–	–	880,000	–	14,096
Fair value hedge	350,000	–	26,688	350,000	–	11,341
– Over three years	350,000	–	26,688	350,000	–	11,341
Total	99,845,049	2,077,281	1,960,103	95,797,186	763,923	825,492

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure.

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, of notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

The principal interest rate contracts used are interest rate futures and interest rate swaps. An interest rate futures contract is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

The principal equity contracts used are equity option, equity futures and equity swap. An equity option is a financial derivative that represents a contract sold by one party ("option writer") to another party ("option holder"). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the "strike price") during a certain period of time or on a specific date ("exercise date"). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future. Equity swaps are one of the most basic equity derivatives products and are usually traded over-the-counter ("OTC") with financial institutions and corporates. It is a contractual agreement between parties to exchange two streams of payments, one based on a pre-determined index or equity price, and the other based on a reference interest rate (that is KLIBOR or LIBOR). The underlying reference for equity swaps is usually to an index, a basket of stocks or a single underlying stock.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 50.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value upon inception in the statements of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading purposes, fair value changes are recognised in the profit or loss. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At inception of a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the hedged risk, the risk management objective and strategy for undertaking the hedge.

The Group discontinues hedge accounting prospectively if the hedged item(s) or the hedging instrument(s) is/are sold, terminated or exercised or if the hedge no longer meets the requirements of hedge accounting (after taking into account any rebalancing of the hedging relationship).

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (cont'd.)

(i) Fair value hedge

The Group's fair value hedges principally consist of interest/profit rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. A wholly-owned subsidiary, AmBank Islamic had undertaken a fair value hedge to hedge the profit rate risk of its unquoted securities as disclosed in Note 11.

Interest rate risk

The Group holds a portfolio of long-term fixed rate financial investments, therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages a portion of this risk exposure that is not naturally offset against floating rate positions held by the Group in financial investments by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate financial investments (e.g. bonds) arising solely from changes in 6-month KLIBOR (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the long-term fixed rate financial investments being hedged. The main source of ineffectiveness is differences in timing of cash flows between debt instruments and interest rate swaps.

(ii) Cash flow hedge

Interest rate risk

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest bearing assets and incurring liabilities. This hedging strategy is applied towards housing loan receivables and treasury fixed deposits and short-term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early repayment for loans and withdrawal for deposits. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as a "macro" or "portfolio" hedge) to hedge the exposure profile by closing and entering into new swap agreements at each month-end.The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity in the cash flow hedge reserve and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The effectiveness of this hedge is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Group establishes the hedging ratio by matching the notional of the derivative with the principal of the portfolio being hedged. The main source of ineffectiveness is the differences in timing of cash flows between debt instruments and interest rate swaps.

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur which is anticipated to take place over the next 2 years (2019: 6 years). All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. The ineffectiveness recognised in profit or loss during the financial year in respect of cash flow hedges amounted to a gain of RM66,000 (2019: gain of RM128,000) for the Group.

During the current financial year, the Group had discontinued its cash flow hedges on its variable rate short-term treasury deposits and fixed deposits portfolio using interest rate swaps with a total notional value of RM1.4 billion. Hence, the total unamortised fair value balances in the cash flow hedging reserve are to be amortised to the profit or loss over the remaining life of the hedge instruments. Total fair value gain amortised during the current financial year was RM2,787,000 (2019: RM7,812,000).

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (cont'd.)

(iii) The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Group's non-dynamic hedging strategies:

	Maturity				
Group 31 March 2020	**Up to 1 month RM'000**	**> 1 month to 3 months RM'000**	**> 3 months to 1 year RM'000**	**>1 year to 5 years RM'000**	**More than 5 years RM'000**
Fair value hedge					
– Interest rate risk					
Interest rate swap					
Notional	–	–	–	–	350,000
Average floating interest rate	–	–	–	–	3.00%
Cash flow hedge					
– Interest rate risk					
Interest rate swap					
Notional	–	–	600,000	115,000	–
Average fixed interest rate	–	–	4.22%	4.02%	–

	Maturity				
Group 31 March 2019	**Up to 1 month RM'000**	**> 1 month to 3 months RM'000**	**> 3 months to 1 year RM'000**	**>1 year to 5 years RM'000**	**More than 5 years RM'000**
Fair value hedge					
– Interest rate risk					
Interest rate swap					
Notional	–	–	–	–	350,000
Average floating interest rate	–	–	–	–	3.80%
Cash flow hedge					
– Interest rate risk					
Interest rate swap					
Notional	200,000	–	130,000	1,745,000	230,000
Average fixed interest rate	3.92%	–	4.01%	4.07%	4.17%

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (cont'd.)

(iv) The following table contains details of the hedging instruments used in the Group's hedging strategies:

Group 31 March 2020	Notional RM'000	Carrying amount of Derivative Financial Assets RM'000	Carrying amount of Derivative Financial Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
Fair value hedge				
Interest rate risk				
– Interest rate swaps	350,000	–	(26,688)	(15,347)
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	715,000	–	(7,269)	19,971

Group 31 March 2019	Notional RM'000	Carrying amount of Derivative Financial Assets RM'000	Carrying amount of Derivative Financial Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
Fair value hedge				
Interest rate risk				
– Interest rate swaps	350,000	–	(11,341)	(3,715)
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	2,305,000	–	(27,240)	10,435

(v) The following table shows a reconciliation of each component of equity and an analysis of other comprehensive income in relation to the Group's cash flow hedge reserve:

Group	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	(12,074)	3,174
Interest rate risk:		
– effective portion of changes in fair value of interest rate swaps	(18,306)	(12,123)
– reclassification adjustments for gain included in profit or loss	(66)	(128)
– amortisation of fair value changes for terminated hedge	(2,787)	(7,812)
– tax effect	5,078	4,815
Balance at end of the financial year	(28,155)	(12,074)

9. **DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)**

Derivative financial instruments and hedge accounting (cont'd.)

(vi) The following table contains details of the hedged item covered by the Group's hedging strategies:

Group	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Change in fair value used for calculating hedge during the year RM'000	Cash flow hedge reserve	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			Continuing hedge RM'000	Discontinued hedge RM'000
31 March 2020								
Fair value hedge								
Interest rate risk								
– Unquoted sukuk	363,661	–	26,622	–	Financial investments at FVOCI	14,479	–	–
Cash flow hedge								
Interest rate risk								
– Housing loans	–	–	–	–	Loans, advances and financing	–	–	5,769
– Deposits	–	(715,000)	–	–	Deposits from customers	(20,001)	(7,269)	(35,548)
31 March 2019								
Fair value hedge								
Interest rate risk								
– Unquoted sukuk	355,369	–	12,143	–	Financial investments at FVOCI	3,812	–	–
Cash flow hedge								
Interest rate risk								
– Housing loans	–	–	–	–	Loans, advances and financing	–	–	11,384
– Deposits	–	(2,305,000)	–	–	Deposits from customers	(10,435)	(27,270)	–

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D)

Derivative financial instruments and hedge accounting (cont'd.)

(vii) The following table contains information regarding the effectiveness of the hedging relationships designated by the Group, as well as the impact on profit or loss and other comprehensive income:

Group	Gain/(loss) recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Statement of profit or loss/other comprehensive income line item that includes hedge ineffectiveness	Amount reclassified from reserves to profit or loss as		
				Hedged cashflows will no longer occur RM'000	Hedged item affecting profit or loss RM'000	Profit or loss line item that includes reclassified amount RM'000
31 March 2020						
Fair value hedge						
Interest rate risk						
– Unquoted sukuk	14,479	(868)	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	(18,306)	66	Other operating income	–	–	–
31 March 2019						
Fair value hedge						
Interest rate risk						
– Unquoted sukuk	3,812	97	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	(12,123)	128	Other operating income	–	–	–

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	606,027	689,738	–	–
Malaysian Islamic Treasury Bills	886,554	164,980	–	–
Malaysian Government Securities	2,712,517	3,670,874	–	–
Malaysian Government Investment Issues	2,970,436	3,430,028	–	–
Cagamas bonds	101,883	101,181	–	–
Bank Negara Monetary Notes	1,348,320	6,388,520	–	–
	8,625,737	14,445,321	–	–
Quoted Securities:				
In Malaysia:				
Shares	330,662	369,730	–	–
Unit trusts	227,426	194,376	1,078	1,044
Corporate bonds and sukuk	37,500	37,937	–	–
Outside Malaysia:				
Shares	80,588	117,962	–	–
	676,176	720,005	1,078	1,044
Unquoted Securities:				
In Malaysia:				
Shares	2,766	2,813	–	–
Corporate bonds and sukuk	3,241,178	4,197,456	–	–
	3,243,944	4,200,269	–	–
Total	12,545,857	19,365,595	1,078	1,044

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
At Fair Value			
Money Market Instruments:			
Malaysian Government Securities ("MGS")		3,195,317	2,841,636
Malaysian Government Investment Issues ("MGII")		4,990,309	2,776,050
Negotiable instruments of deposit		–	299,979
Islamic negotiable instruments of deposit		299,544	–
		8,485,170	5,917,665
Unquoted Securities:			
In Malaysia:			
Shares	(i)	593,049	523,665
Corporate bonds and sukuk		10,436,822	9,161,866
Outside Malaysia:			
Shares	(i)	501	548
Corporate bonds and sukuk		207,359	106,129
		11,237,731	9,792,208
Total		19,722,901	15,709,873

The Group had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (2019: RM350.0 million). The (loss)/gain arising from the fair value hedge is as follows:

	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Relating to hedged item	14,479	3,812
Relating to hedging instrument	(15,347)	(3,715)
	(868)	97

BNM had issued a policy document *Statutory Reserve Requirements* on 27 March 2020 whereby licensed banking institutions are given flexibility as Principal Dealer and Islamic Principal Dealer, to recognise holdings of MGS and MGII of up to RM1.0 billion as part of their balances in Statutory Reserve Account with BNM. As at 31 March 2020, the Group had recognised a total carrying amount of RM1.63 billion (RM1.53 billion in nominal value) of MGS and MGII for statutory reserve requirement purposes. The above flexibility accorded by BNM is up to 31 March 2021.

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year		14,797	7,264	5,000	27,061
Allowances for/(Writeback of) ECL	38	(3,265)	14,566	–	11,301
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(2,929)	16,379	–	13,450
New financial assets originated		21,563	1,972	–	23,535
Financial assets derecognised		(8,483)	(4,244)	–	(12,727)
Net remeasurement of allowances		(13,416)	459	–	(12,957)
Financial assets written-off		–	–	(5,000)	(5,000)
Exchange difference		340	–	–	340
Balance at end of the financial year		11,872	21,830	–	33,702

Group 31 March 2020	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year		11,872	21,830	–	33,702
Allowances for/(Writeback of) ECL	38	4,148	(5,381)	48,245	47,012
– Transfer to 12-month ECL (Stage 1)		1,154	(1,695)	–	(541)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(585)	846	–	261
– Transfer to Lifetime ECL credit impaired (Stage 3)		–	(260)	48,245	47,985
New financial assets originated		12,624	2,759	–	15,383
Financial assets derecognised		(12,129)	(2,963)	–	(15,092)
Net remeasurement of allowances		(1,162)	(6,484)	–	(7,646)
Changes in model assumptions and methodologies	4	4,246	2,416	–	6,662
Financial assets written-off		–	–	(48,245)	(48,245)
Balance at end of the financial year		16,020	16,449	–	32,469

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

The movements in allowances for ECL during the financial year are due to the following:

– 12-month ECL (Stage 1) - increase of RM4,148,000 mainly due to Anticipatory Forward Looking ECL Overlay ("FL ECL overlay"), new financial assets originated and transfer from Stage 2 offset by financial assets derecognised and transfer to Stage 2 and remeasurement of allowances during the financial year.

– Lifetime ECL not credit impaired (Stage 2) - decrease of RM5,381,000 mainly due to financial assets derecognised, transfer out to Stage 1 and remeasurement of allowances offset by new financial assets originated and FL ECL overlay during the financial year.

– The lifetime ECL credit impaired (Stage 3) was provided for a corporate bond that turned impaired and was written off during the current financial year.

(i) Equity investments at fair value through other comprehensive income comprise the following individual investments:

	31 March 2020		31 March 2019	
Group	**Carrying value RM'000**	**Dividend income (Note 34) RM'000**	**Carrying value RM'000**	**Dividend income (Note 34) RM'000**
Unquoted securities in Malaysia:				
Shares				
ABM Investments Sdn Bhd	29	–	31	–
Cagamas Holdings Berhad	340,533	2,413	273,113	2,413
Credit Guarantee Corporation Malaysia Bhd	80,102	–	87,753	–
Financial Park (Labuan) Sdn Bhd	81,896	800	82,055	–
Malaysia South-South Corporation Bhd	2,754	195	2,872	146
Malaysian Rating Corporation Berhad	2,230	80	2,260	100
Payments Network Malaysian Sdn Bhd	72,891	–	63,317	–
RAM Holdings Berhad	12,614	4,318	12,264	238
	593,049	7,806	523,665	2,897
Unquoted securities outside Malaysia:				
Shares				
S.W.I.F.T SCRL	501	–	548	–

The Group elected to present in other comprehensive income changes in the fair value of the above equity investments because these equity investments are held for long-term strategic or socioeconomic purposes instead of for selling in the near term or for short-term profit taking.

There have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the financial year.

12. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
At Amortised Cost		
Money Market Instruments:		
Malaysian Government Investment Issues	432,436	472,186
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	4,425,291	4,679,528
	4,857,727	5,151,714
Less: Allowances for ECL	(4,914)	(5,398)
Total	4,852,813	5,146,316

Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
31 March 2019				
Balance at beginning of the financial year		3,403	2,550	5,953
Allowances for/(Writeback) of ECL	38	1,995	(1,459)	536
Net remeasurement of allowances		1,995	–	1,995
Financial assets derecognised		–	(1,459)	(1,459)
Amount written off		–	(1,091)	(1,091)
Balance at end of the financial year		5,398	–	5,398
31 March 2020				
Balance at beginning of the financial year		5,398	–	5,398
(Writeback of)/Allowances for ECL	38	(484)	–	(484)
Net remeasurement of allowances		(1,684)	–	(1,684)
Financial assets derecognised		(32)	–	(32)
Changes in model assumptions and methodologies	4	1,232	–	1,232
Balance at end of the financial year		4,914	–	4,914

The decrease in ECL Stage 1 of RM484,000 was due to net remeasurement of allowances offset by increase in ECL from changes in model assumptions and methodologies.

13. LOANS, ADVANCES AND FINANCING

	Note	Group	
		31 March 2020 RM'000	31 March 2019 RM'000
At Amortised Cost:			
Loans, advances and financing:			
Term loans/financing		31,486,276	26,421,666
Revolving credit		12,397,147	12,720,054
Housing loans/financing		32,865,466	30,463,942
Hire purchase receivables		14,307,814	16,496,256
Card receivables		2,105,014	2,228,984
Overdrafts		3,933,941	4,271,329
Claims on customers under acceptance credits		5,600,123	5,322,723
Trust receipts		1,857,065	1,872,490
Bills receivables		1,825,267	1,572,401
Staff loans		96,429	97,711
Others		744,068	377,006
Gross loans, advances and financing		107,218,610	101,844,562
Less: Allowance for ECL:			
– Stage 1 – 12 month ECL	(i)	(283,434)	(275,818)
– Stage 2 – Lifetime ECL not credit impaired	(i)	(539,633)	(622,411)
– Stage 3 – Lifetime ECL credit impaired	(i)	(444,613)	(402,312)
		(1,267,680)	(1,300,541)
Net loans, advances and financing		105,950,930	100,544,021

13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(a) Gross loans, advances and financing analysed by type of customer are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Domestic banking institutions	–	124,371
Domestic non-bank financial institutions	2,555,132	2,457,535
Domestic business enterprises:		
– Small and medium enterprises	20,589,193	20,238,234
– Others	26,730,467	22,473,666
Government and statutory bodies	552,467	551,785
Individuals	55,439,538	54,660,848
Other domestic entities	29,034	19,296
Foreign individuals and entities	1,322,779	1,318,827
	107,218,610	101,844,562

(b) Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
In Malaysia	106,821,814	101,566,469
Outside Malaysia	396,796	278,093
	107,218,610	101,844,562

(c) Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Fixed rate:		
– Housing loans/financing	421,771	443,683
– Hire purchase receivables	13,583,749	15,434,981
– Other loans/financing	11,314,043	9,941,797
Variable rate:		
– Base rate and lending/financing rate plus	50,774,273	46,723,728
– Cost plus	24,764,864	22,156,095
– Other variable rates	6,359,910	7,144,278
	107,218,610	101,844,562

13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(d) Gross loans, advances and financing analysed by sector are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Agriculture	2,899,663	3,284,337
Mining and quarrying	2,515,031	1,705,878
Manufacturing	13,728,007	11,770,889
Electricity, gas and water	673,985	442,498
Construction	4,701,804	4,422,781
Wholesale and retail trade and hotels and restaurants	7,799,262	6,793,566
Transport, storage and communication	2,686,052	2,741,298
Finance and insurance	2,581,109	2,603,147
Real estate	7,705,377	8,289,464
Business activities	3,385,227	2,279,216
Education and health	2,161,841	1,571,964
Household of which:	56,320,467	55,688,901
– Purchase of residential properties	32,387,265	29,884,774
– Purchase of transport vehicles	12,922,272	15,065,225
– Others	11,010,930	10,738,902
Others	60,785	250,623
	107,218,610	101,844,562

(e) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Maturing within one year	26,249,106	25,773,375
Over one year to three years	6,528,551	8,347,291
Over three years to five years	10,776,558	10,025,352
Over five years	63,664,395	57,698,544
	107,218,610	101,844,562

13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(f) Movements in impaired loans, advances and financing are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	1,620,662	1,638,405
Additions during the financial year	1,490,510	1,123,123
Reclassified as non-impaired	(165,696)	(306,127)
Recoveries	(396,019)	(207,813)
Amount written off	(700,608)	(632,072)
Foreign exchange differences	3,784	5,146
Balance at end of the financial year	1,852,633	1,620,662
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.73%	1.59%
Loan loss coverage (including regulatory reserve)	93.40%	113.99%

(g) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
In Malaysia	1,808,511	1,562,438
Outside Malaysia	44,122	58,224
	1,852,633	1,620,662

(h) Impaired loans, advances and financing analysed by sector are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 (Restated) (Note 56) RM'000
Agriculture	84,501	554
Mining and quarrying	53,591	78,964
Manufacturing	247,956	164,731
Electricity, gas and water	137	140
Construction	84,241	23,265
Wholesale and retail trade and hotels and restaurants	134,049	58,976
Transport, storage and communication	80,709	73,255
Finance and insurance	2	1
Real estate	314,347	503,656
Business activities	33,605	14,831
Education and health	25,260	11,418
Household of which:	794,235	690,871
– Purchase of residential properties	496,301	374,701
– Purchase of transport vehicles	156,556	193,826
– Others	141,378	122,344
	1,852,633	1,620,662

13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
31 March 2019					
Balance at beginning of the financial year		268,685	689,245	441,293	1,399,223
Allowance for/(Writeback) of ECL	37	6,889	(66,898)	596,106	536,097
– Transfer to 12 month ECL (Stage 1)		12,698	(135,350)	(6,903)	(129,555)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(23,638)	206,313	(25,259)	157,416
– Transfer to Lifetime ECL credit impaired (Stage 3)		(2,898)	(35,316)	243,125	204,911
New financial assets originated		74,555	179,608	12,774	266,937
Net remeasurement of allowances		(9,077)	(222,774)	457,461	225,610
Modification of contractual cash flows of financial assets		(1,141)	(693)	112	(1,722)
Financial assets derecognised		(43,610)	(58,686)	(85,204)	(187,500)
Foreign exchange differences		244	64	(3,015)	(2,707)
Amount written off		–	–	(632,072)	(632,072)
Balance at end of the financial year		275,818	622,411	402,312	1,300,541
31 March 2020					
Balance at beginning of the financial year		275,818	622,411	402,312	1,300,541
Allowance for/(Writeback) of ECL	37	7,354	(82,982)	742,040	666,412
– Transfer to 12 month ECL (Stage 1)		11,911	(133,978)	(5,119)	(127,186)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(20,433)	206,235	(25,924)	159,878
– Transfer to Lifetime ECL credit impaired (Stage 3)		(3,502)	(27,987)	159,124	127,635
New financial assets originated		72,796	56,706	13,572	143,074
Net remeasurement of allowances		(29,892)	(165,109)	699,181	504,180
Modification of contractual cash flows of financial assets		(3,741)	(180)	198	(3,723)
Financial assets derecognised		(67,416)	(77,194)	(98,224)	(242,834)
Changes in model assumptions and methodologies	4	47,631	58,525	(768)	105,388
Foreign exchange differences		262	204	869	1,335
Amount written off		–	–	(700,608)	(700,608)
Balance at end of the financial year		283,434	539,633	444,613	1,267,680

13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) The following explains how significant changes in the gross carrying amount of loans, advances and financing during the financial year have contributed to the changes in the allowance for impairment on loans, advances and financing.

Overall, the total allowance for impairment on loans, advances and financing had decreased due to the following:

(a) 12-month ECL (Stage 1) – increase of RM7,616,000 mainly due to new financial assets originated, FL ECL overlay, transfer in from Stage 2 partially offset by financial assets derecognised, remeasurement of allowances and transfer to Stage 2.

(b) Lifetime ECL not credit impaired (Stage 2) – decrease of RM82,778,000 mainly due to remeasurement of allowances, financial assets derecognised and transfer to Stage 1 and Stage 3 offset by transfer in from Stage 1, new financial assets originated and FL ECL overlay.

(c) Lifetime ECL credit impaired (Stage 3) – increase of RM42,301,000 mainly due to net remeasurement of allowances and transfer in from Stage 2 offset by financial assets derecognised and transfer to Stage 2 and Stage 1 and write off of impaired loans, advances and financing.

As at 31 March 2020, total FL ECL overlay in Stage 1 and Stage 2 amounted to RM142,041,000.

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities. Effective 20 March 2020, the rate has decreased from 3.0% to 2.0%.

15. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statements of financial position, after appropriate offsetting:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Deferred tax assets	51,457	66,162
Deferred tax liabilities	(69,720)	(63,702)
	(18,263)	2,460

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Deferred tax assets	160,448	163,045
Deferred tax liabilities	(178,711)	(160,585)
	(18,263)	2,460

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows:

Deferred tax assets

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
31 March 2020				
Cash flow hedge reserve	3,813	–	5,078	8,891
Provision for commitments and contingencies	17,672	(12,529)	–	5,143
Provision for expenses	121,579	(16,111)	–	105,468
Allowances for ECL on:				
– financial assets	–	11,403	–	11,403
– commitments and contingencies	–	948	–	948
Other temporary differences	19,981	8,614	–	28,595
	163,045	(7,675)	5,078	160,448
31 March 2019				
Cash flow hedge reserve	(1,002)	–	4,815	3,813
Provision for commitments and contingencies	1,891	15,781	–	17,672
Provision for expenses	104,954	16,625	–	121,579
Other temporary differences	21,187	(1,206)	–	19,981
	127,030	31,200	4,815	163,045

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The deferred tax assets/(liabilities) prior to offsetting are summarised as follows: (cont'd.)

Deferred tax liabilities

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
31 March 2020				
Excess of capital allowance over depreciation and amortisation	35,939	(8,208)	–	27,731
Deferred charges	39,196	1,058	–	40,254
Intangible assets	38,090	(1,980)	–	36,110
Redeemable cumulative convertible preference share	17,427	(3,113)	–	14,314
Allowances for ECL on:				–
– financial assets	4,765	(4,765)	–	–
– commitments and contingencies	3,013	(3,013)	–	–
Fair value reserve	15,622	–	31,374	46,996
Other temporary differences	6,533	6,476	297	13,306
	160,585	(13,545)	31,671	178,711
31 March 2019				
Excess of capital allowance over depreciation and amortisation	40,745	(4,806)	–	35,939
Deferred charges	38,306	890	–	39,196
Intangible assets	40,070	(1,980)	–	38,090
Redeemable cumulative convertible preference share	19,136	(1,709)	–	17,427
Allowances for ECL on:				
– financial assets	–	4,765	–	4,765
– commitments and contingencies	–	3,013	–	3,013
Fair value reserve	2,082	–	13,540	15,622
Other temporary differences	4,602	1,917	14	6,533
	144,941	2,090	13,554	160,585

As at 31 March 2020, there is unabsorbed capital allowances which amounted to RM450,694,000 (2019: RM451,273,000) that is available for offset against future taxable profit of leasing business from two of its subsidiaries. A deferred tax asset is not recognised due to the uncertainty in timing of its recoverability.

Notes to the Financial Statements

As at 31 March 2020

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

	Note	Company 31 March 2020 RM'000	Company 31 March 2019 RM'000
At cost			
Unquoted shares in Malaysia			
Balance at the beginning of the financial year		9,883,557	9,706,300
Subscription of new ordinary shares	16(a)(4)(ii)	–	177,257
		9,883,557	9,883,557
Less: Impairment	16(a)(3)(iv)	(256,132)	(243,244)
Balance at the end of the financial year		9,627,425	9,640,313

(1) Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Effective equity interest 31 March 2020 %	Effective equity interest 31 March 2019 %
AmInvestment Group Berhad ("AIGB")	Investment holding	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	100.00	100.00
AmBank Islamic Berhad ("AmBank Islamic")	Islamic banking	100.00	100.00
MBF Cards (M'sia) Sdn Bhd ("MBF Cards")	Dormant	100.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	100.00	100.00
AmCard Services Berhad	Outsourcing servicer for mortgage related services	100.00	100.00
AmGeneral Holdings Berhad	Investment holding	51.00	51.00
AmGeneral Insurance Berhad	General Insurance	51.00	51.00
AmFunds Management Berhad ("AFMB")	Management of unit trusts, separately managed funds and private retirement schemes	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic fund management services and distribution of Islamic wholesale funds	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Dormant	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd[9]	Dormant	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd[2]	Dormant	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Dormant	100.00	100.00
AmREIT Holdings Sdn Bhd	Investment holding	70.00	70.00
AmREIT Managers Sdn Bhd	Management of real estate investment trusts	70.00	70.00
MBf Information Services Sdn Bhd	Property investment	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Dormant	100.00	100.00
MBf Trustees Berhad	Dormant	60.00	60.00

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (cont'd.)

(1) Details of the subsidiaries are as follows: (cont'd.)

Subsidiaries (cont'd.)	Principal activities	Effective equity interest 31 March 2020 %	Effective equity interest 31 March 2019 %
AmProperty Holdings Sdn Bhd	Property investment	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	100.00	100.00
Malco Properties Sdn Bhd	Dormant	81.51	81.51
AmPremier Capital Berhad ("AmPremier")[10]	Dormant	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmCapital (B) Sdn Bhd[1]	Dormant	100.00	100.00
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AmFraser International Pte. Ltd.[3]	Dormant	100.00	100.00
AMFB Holdings Berhad ("AMFB")[6]	Dormant	100.00	100.00
AMSEC Holdings Sdn Bhd[4]	Dormant	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")[6]	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")[6]	Dormant	80.00	80.00
AmFutures Sdn Bhd ("AmFutures")[8]	Dormant	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")[6]	Dormant	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")[6]	Dormant	100.00	100.00
Komuda Credit & Leasing Sdn Bhd[5]	Dormant	100.00	100.00
AMBB Capital (L) Ltd[7]	Dormant	–	100.00

The above subsidiaries are incorporated in Malaysia, except for the following:

Subsidiaries	Incorporated in
(i) AmCapital (B) Sdn Bhd	Brunei
(ii) AmFraser International Pte. Ltd.	Singapore

[1] Subsidiary commenced court liquidation on 12 December 2018 (ceased operation since 1 May 2015).
[2] Subsidiary audited by a firm other than Ernst & Young PLT, Malaysia.
[3] Subsidiary commenced Members' Voluntary Liquidation on 30 August 2019.
[4] Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013.
[5] Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.
[6] Subsidiaries commenced Members' Voluntary Liquidation on 23 December 2016.
[7] Subsidiary dissolved on 8 April 2019.
[8] Subsidiary commenced Members' Voluntary Liquidation on 27 March 2018.
[9] Subsidiary commenced Members' Voluntary Liquidation on 30 January 2019.
[10] Subsidiary commenced Members' Voluntary Liquidation on 25 October 2019.

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (cont'd.)

(2) There are no restrictions on transfer of funds, for example paying dividends or repaying loans and advances by the subsidiaries. The ability of the subsidiaries to pay dividends or make advances to the Company depends on their regulatory capital requirements, financial and operating performance.

(3) Transactions during the current financial year are as follows:

(i) Redemption of preference shares

During the current financial year, AmGeneral Insurance Berhad redeemed 50% which amounted to RM100.0 million of its remaining outstanding Redeemable Non-Cumulative Convertible Preference Share ("RNCPS"). Arising from this redemption under Sections 72(4)(a) of the Companies Act 2016, the same amount was transferred to paid-up share capital (Note 28) of the Group pursuant to Section 72(5) of the Companies Act 2016.

(ii) Dissolution of wholly-owned dormant subsidiary

AMBB Capital (L) Ltd which commenced member's voluntary liquidation on 17 March 2017 was dissolved on 8 April 2019.

As the above subsidiary is dormant, there was no significant impact on the Group's statement of profit or loss or statement of financial position arising from the dissolution.

(iii) Upon sanction of the High Court and pursuant to Section 116 of the Companies Act, 2016, AmGeneral Holdings Berhad (effective equity interest of 51% by the Group) had cancelled 100.0 million ordinary shares based on issue price of RM1.00 each and returned the paid-up share capital in excess of its needs of RM100.0 million to its shareholders.

(iv) During the current financial year, the Company received interim dividend from its wholly-owned subsidiary, MBF Cards of RM27.1 million. Subsequent to the dividend paid out, the cost of investment for MBF Cards in the books of the Company was in excess of the net assets of the subsidiary and accordingly, an impairment loss of approximately RM12,888,000 was provided by the Company.

(4) Transactions during the prior financial year are as follows:

(i) During the prior financial year, AmGeneral Insurance Berhad redeemed 50% of its Redeemable Non-Cumulative Convertible Preference Share ("RNCPS") which amounted to RM200.0 million. Arising from this redemption under Sections 72(4)(a) of the Companies Act 2016, the same amount was transferred to paid-up share capital (Note 28) of the Group pursuant to Section 72(5) of the Companies Act 2016.

(ii) On 28 June 2018, the Company subscribed for the issuance of 16,489,024 new ordinary shares by AmBank at an issue price of RM10.75 per ordinary shares which amounted to RM177,257,008.

(iii) AIGB, a direct wholly-owned subsidiary of the Company which had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016 returned additional capital which amounted to RM25.0 million to the Company on 14 November 2018 through the cancellation of 25,000,000 ordinary shares. Arising from the return of capital, the Company provided for impairment on subsidiary of RM24,083,000.

(iv) AmFutures, a wholly-owned subsidiary of AmInvestment Bank returned capital which amounted to RM15.0 million to AmInvestment Bank. AmFutures had commenced member's voluntary liquidation on 27 March 2018.

(5) The subsidiaries which are not wholly-owned are not material individually or in aggregate to the financial position or performance of the Group except for AmGeneral Holdings Berhad.

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (cont'd.)

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary

The summarised financial information of AmGeneral Holdings Berhad, its subsidiary and other investments ("AMGH Group") which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Non-controlling interest ("NCI") in AMGH Group

The Group's subsidiary that have material NCI is as follows:

	AMGH Group	
	31 March 2020 RM'000	31 March 2019 RM'000
NCI percentage of ownership interest and voting interest	49%	49%
Net carrying amount of NCI at beginning of the financial year	998,449	1,143,586
Share of net results	111,772	97,022
Share of other comprehensive income	461	5
Share of other equity movements	–	(104)
Return of capital	(49,000)	–
	1,061,682	1,240,509
Dividends paid	(83,300)	(242,060)
Net carrying amount of NCI at end of the financial year	978,382	998,449
Total Assets	5,341,769	5,552,345
Total Liabilities	(3,345,980)	(3,515,603)
Net assets	1,995,789	2,036,742
Equity attributable to owners of the Company	1,017,407	1,038,293
NCI	978,382	998,449

(ii) Summarised statement of comprehensive income

	AMGH Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Operating revenue	1,618,418	1,544,307
Profit for the financial year	228,106	198,004
Attributable to:		
Equity holders of the Company	116,334	100,982
NCI	111,772	97,022
Total comprehensive income	229,047	198,031
Attributable to:		
Equity holders of the Company	116,814	101,004
NCI	112,233	97,027
Dividend paid to NCI	(83,300)	(242,060)

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (cont'd.)

(iii) Summarised statement of cash flows

	AMGH Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Operating activities	164,266	(29,858)
Investing activities	(3,601)	346,223
Financing activities	(184,367)	(494,000)
Net decrease in cash and cash equivalents for the financial year	(23,702)	(177,635)

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

In Malaysia Unquoted unit trusts Name of fund	Principal activities	Effective equity interest 31 March 2020 %	31 March 2019 %
AmIncome Institutional 1	Investment in debt securities and money market	51.00	51.00
AmIncome Institutional 3	Investment in debt securities and money market	51.00	51.00
AmCash Plus	Investment in government related securities and money market	51.00	51.00

These collective investment schemes have been consolidated in accordance with MFRS 10 *Consolidated Financial Statements.*

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Unquoted shares:		
At cost at the beginning of the financial year	669,169	663,169
Subscription of ordinary shares issued	–	6,000
At cost at end of the financial year	669,169	669,169
Share of post acquisition reserves	30,106	40,922
	699,275	710,091

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM433,986,000 (2019: RM444,231,000) are included in the total carrying amount of investment in associates and joint ventures. As at 31 March 2020, the carrying amount of the Group's material joint venture, AmMetLife Insurance Berhad, amounted to approximately RM401,214,000 (2019: RM411,597,000).

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(b) Information about associates and joint ventures which are all incorporated in Malaysia are as follows:

Name of associate/joint venture	Principal activities	Effective Equity Interest 31 March 2020 %	 31 March 2019 %
Associates:			
AmFirst Real Estate Investment Trust ("AmFirst REIT")	Investment in real estate	26.73	26.73
Bonuskad Loyalty Sdn Bhd ("Bonuskad")[1]	Managing customer loyalty schemes	33.33	33.33
Joint ventures ("JV"):			
AmMetLife Insurance Berhad ("AmMetLife Insurance")[2]	Life assurance	50.00	50.00
AmMetLife Takaful Berhad ("AmMetLife Takaful")	Family Takaful	50.00	50.00

[1] The financial year-end of Bonuskad is on 31 December 2019 and for the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions up to the Group's financial reporting date.

[2] AmMetLife Insurance holds 100% (2019: 100%) equity interest in a collective investment scheme, AmIncome Institutional 5 ("AMII 5") and has been consolidated in accordance with MFRS 10 *Consolidated Financial Statements* and included in the Group's carrying amount of interest in joint ventures.

(c) The following table summarises the information of the Group's material associate and joint venture and other individually immaterial associate and joint venture:

	AmFirst REIT RM'000	AmMetLife Insurance RM'000	Bonuskad RM'000	AmMetLife Takaful RM'000
For the financial year ended 31 March 2020				
Revenue	116,036	713,470	26,644	57,669
Profit/(Loss) after tax from continuing operations	21,652	(19,835)	963	27
Other comprehensive (loss)/income	–	(931)	–	111
Total comprehensive income/(loss)	21,652	(20,766)	963	138
For the financial year ended 31 March 2019				
Revenue	116,583	719,057	27,260	35,009
Profit/(Loss) after tax from continuing operations	22,293	34,460	2,167	(4,929)
Other comprehensive income	–	519	–	359
Total comprehensive income/(loss)	22,293	34,979	2,167	(4,570)

	31 March 2020 AmFirst REIT[2] RM'000	 AmMetLife Insurance RM'000	31 March 2019 AmFirst REIT[2] RM'000	 AmMetLife Insurance RM'000
Total assets[1]	1,677,646	4,101,518	1,671,846	3,928,661
Total liabilities	(838,838)	(3,299,090)	(827,302)	(3,105,467)
Net assets	838,808	802,428	844,544	823,194

[1] Includes fair value adjustments made by the Group at the time of acquisition.
[2] The fair value of investment in AmFirst REIT based on the quoted price as at 31 March 2020 is approximately RM74,313,000. (2019: RM98,167,000)

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(d) The above profit/(loss) after tax from continuing operations for the material associate and joint venture includes the following:

	AmFirst REIT 31 March 2020 RM'000	AmMetLife Insurance 31 March 2020 RM'000	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000
Interest income	85	152,332	167	234
Interest expense	(37,932)	–	(38,823)	–
Depreciation of property and equipment	–	(4,386)	–	–
Depreciation of right-of-use assets	(185)	–	–	–
Amortisation of intangible assets	–	(9,184)	–	–
Taxation	(4,357)	749	–	–

The above amounts of assets and liabilities for the material associate and joint venture include the following:

	AmFirst REIT 31 March 2020 RM'000	AmMetLife Insurance 31 March 2020 RM'000	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000
Cash and cash equivalents	4,070	272,041	2,265	208,277
Current financial liabilities (excluding trade, other payables and provisions)	(354,093)	(8,266)	(98,067)	–
Non current financial liabilities (excluding trade, other payables and provisions)	(446,674)	(22,933)	(695,753)	–

(e) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture and associate recognised in the consolidated financial statements:

	AmFirst REIT 31 March 2020 RM'000	AmMetLife Insurance 31 March 2020 RM'000	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000
Proportion of net assets at date of recognition	26.7%	50.0%	26.7%	50.0%
Carrying amount at the beginning of the financial year	225,764	411,597	227,052	394,108
Share of net results for the financial year	5,788	(9,918)	5,960	17,230
Share of other comprehensive income for the financial year	–	(465)	–	259
Dividend/Distribution received	(7,321)	–	(7,248)	–
Carrying amount at the end of the financial year	224,231	401,214	225,764	411,597

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(f) AmMetLife Insurance Berhad and AmMetLife Takaful Berhad, the two joint-ventures ("JVs") of the Group are applying the temporary exemptions from MFRS 9. Both JVs have concluded that they qualify for the temporary exemption from MFRS 9 as the two JVs have not previously applied any versions of MFRS 9 and their activities are predominantly connected with insurance/takaful at annual reporting date that immediately precedes 1 April 2016. Since 31 March 2016, there has been no change in the activities of the JVs that requires reassessment of the use of the temporary exemption.

The following are disclosures required by IFRS 4 for an insurer which has applied for temporary exemption from MFRS 9.

(1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2020, as well as the corresponding change in fair value during the financial year.

(i) Individually material JV – AmMetLife Insurance (entity level)

31 March 2020	Fair value as at 1 April 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Assets					
Investments					
Loans and receivables ("LAR")	334,861	17,855	352,716	SPPI	Amortised cost
Available-for-sale ("AFS") securities	1,207,073	27,126	1,234,199		
– Quoted equities	57,165	(19,832)	37,333	Non-SPPI	FVTPL
– Unquoted equities	2,147	–	2,147	Non-SPPI	FVTPL
– Malaysian Government Securities	111,303	75,516	186,819	SPPI	FVOCI
– Unquoted corporate bonds	992,906	(2,303)	990,603	SPPI	FVOCI
– Unquoted corporate bonds	30,330	(25,329)	5,001	Non-SPPI	FVTPL
– Quoted unit and property trust funds	13,222	(926)	12,296	Non-SPPI	FVTPL
Fair value through profit or loss ("FVTPL"):	1,356,154	138,820	1,494,974		
– Quoted equities	69,359	(27,408)	41,951	Non-SPPI	FVTPL
– Malaysian Government Securities	134,193	(14,488)	119,705	SPPI	FVOCI
– Unquoted corporate bonds	1,088,400	198,775	1,287,175	SPPI	FVOCI
– Unquoted corporate bonds	40,473	(30,472)	10,001	Non-SPPI	FVTPL
– Quoted unit and property trust funds	3,630	3,139	6,769	Non-SPPI	FVTPL
– Unquoted unit and property trust funds	20,099	9,274	29,373	Non-SPPI	FVTPL
Other receivables	29,866	3,636	33,502	SPPI	Amortised cost
Cash and bank balances	43,179	21,487	64,666	SPPI	Amortised cost

* *Includes purchases, disposals, maturities and unrealised gains/(losses).*

In the table above, the amortised cost of loans and receivables, other receivables and cash and bank balances have been used as a reasonable approximation to fair value. Similarly, unquoted equities have been reflected at cost less impairment loss as they approximate the fair value.

As at 31 March 2020, all SPPI assets meet the characteristics of low credit risk financial instruments.

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(1) The table below presents the Group's share of the fair value of classes of financial assets as at 31 March 2020, as well as the corresponding change in fair value during the financial year. (cont'd.)

(i) Individually material JV – AmMetLife Insurance (entity level) (cont'd.)

31 March 2019	Fair value as at 1 April 2018 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2019 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Assets					
Investments					
Loans and receivables ("LAR")	354,836	(19,975)	334,861	SPPI	Amortised cost
Available-for-sale ("AFS") securities	1,070,547	136,526	1,207,073		
– Quoted equities	64,765	(7,600)	57,165	Non-SPPI	FVTPL
– Unquoted equities	2,147	–	2,147	Non-SPPI	FVTPL
– Malaysian Government Securities	70,111	41,192	111,303	SPPI	FVOCI
– Unquoted corporate bonds	891,656	101,250	992,906	SPPI	FVOCI
– Unquoted corporate bonds	31,080	(750)	30,330	Non-SPPI	FVTPL
– Quoted unit and property trust funds	10,788	2,434	13,222	Non-SPPI	FVTPL
Fair value through profit or loss ("FVTPL"):	1,207,569	148,585	1,356,154		
– Quoted equities	65,558	3,801	69,359	Non-SPPI	FVTPL
– Malaysian Government Securities	90,661	43,532	134,193	SPPI	FVOCI
– Unquoted corporate bonds	994,459	93,941	1,088,400	SPPI	FVOCI
– Unquoted corporate bonds	41,189	(716)	40,473	Non-SPPI	FVTPL
– Quoted unit and property trust funds	847	2,783	3,630	Non-SPPI	FVTPL
– Unquoted unit and property trust funds	14,855	5,244	20,099	Non-SPPI	FVTPL
Other receivables	33,740	(3,874)	29,866	SPPI	Amortised cost
Cash and bank balances	30,166	13,013	43,179	SPPI	Amortised cost

* *Includes purchases, disposals, maturities and unrealised gains/(losses)*

In the table above, the amortised cost of loans and receivables, other receivables and cash and bank balances have been used as a reasonable approximation to fair value. Similarly, unquoted equities have been reflected at cost less impairment loss as they approximate the fair value.

As at 31 March 2019, all SPPI assets meet the characteristics of low credit risk financial instruments.

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(1) The table below presents the Group's share of the fair value of classes of financial assets as at 31 March 2020, as well as the corresponding change in fair value during the financial year. (cont'd.)

(ii) Individually immaterial JV – AmMetLife Takaful

	Fair value as at 1 April 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Assets					
Loans and receivables ("LAR")	23,798	(3,655)	20,143	SPPI	Amortised cost
– Quoted Shariah approved equities	8,233	(1,240)	6,993	Non-SPPI	FVTPL
– Quoted unit and property trust funds	3,876	24	3,900	Non-SPPI	FVTPL
– Malaysian Government Guaranteed financing	3,710	264	3,974	SPPI	FVOCI
– Sukuk	93,462	5,284	98,746	SPPI	FVOCI
– Sukuk	–	4,527	4,527	Non-SPPI	FVOCI
Takaful receivables	3,076	(1,113)	1,963	SPPI	Amortised cost
Cash and bank balances	3,623	20,510	24,133	SPPI	Amortised cost

	Fair value as at 1 April 2018 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2019 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Assets					
Loans and receivables ("LAR")	31,913	(8,115)	23,798	SPPI	Amortised cost
– Quoted Shariah approved equities	8,514	(281)	8,233	Non-SPPI	FVTPL
– Quoted unit and property trust funds	1,198	2,678	3,876	Non-SPPI	FVTPL
– Malaysian Government Guaranteed financing	10,545	(6,835)	3,710	SPPI	FVOCI
– Sukuk	60,745	32,717	93,462	SPPI	FVOCI
Takaful receivables	1,627	1,449	3,076	SPPI	Amortised cost
Cash and bank balances	7,354	(3,731)	3,623	SPPI	Amortised cost

* *Includes purchases, disposals, maturities and unrealised gains/(losses)*

In the tables above, the amortised cost of loans and receivables, takaful receivables and cash and bank balances have been used as a reasonable approximation to fair value.

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(2) The tables below present the information about the credit risk exposure of the financial assets of the JVs of the Group.

(a) At the reporting date, the JV's maximum credit exposure to credit risk is represented by the maximum amount of each class of financial asset subject to credit risk recognised in the statement of financial position as shown in the table below. The carrying amount is measured in accordance with MFRS 139 although this is prior to any impairment allowance for those measured at amortised cost.

(i) Individually material JV – AmMetLife Insurance (entity level)

Credit exposure by credit rating

2020	Neither past due nor impaired AAA RM'000	AA RM'000	A RM'000	Government guaranteed RM'000	Unrated RM'000	Unit linked RM'000	Total RM'000
Investments:							
LAR:							
Deposit with licensed banks	65,526	111,951	–	–	–	1,992	179,469
Loans							
Malaysian Government Guaranteed loans	–	–	–	101,435	–	–	101,435
Policy loans	–	–	–	–	71,416	–	71,416
Mortgage loans	–	–	–	–	391	–	391
Staff loans	–	–	–	–	5	–	5
AFS:							
Malaysian Government Securities	–	–	–	186,819	–	–	186,819
Corporate bonds	307,034	106,757	–	576,812	–	–	990,603
FVTPL:							
Malaysian Government Securities	–	–	–	118,917	–	788	119,705
Corporate bonds	225,224	151,019	–	867,302	–	43,630	1,287,175
Other receivables*	5,815	4,227	–	16,273	6,394	793	33,502
Cash and bank balances	34,136	9,879	–	–	94	20,557	64,666
	637,735	383,833	–	1,867,558	78,300	67,760	3,035,186

As at 31 March 2020, there are no SPPI assets that do not have low credit risk.

* *excluding prepayment and tax recoverable*

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(2) The tables below present the information about the credit risk exposure of the financial assets of the JVs of the Group. (cont'd.)

(a) At the reporting date, the JV's maximum credit exposure to credit risk is represented by the maximum amount of each class of financial asset subject to credit risk recognised in the statement of financial position as shown in the table below. The carrying amount is measured in accordance with MFRS 139 although this is prior to any impairment allowance for those measured at amortised cost. (cont'd.)

(i) Individually material JV – AmMetLife Insurance (entity level) (cont'd.)

Credit exposure by credit rating (cont'd.)

2019	Neither past due nor impaired AAA RM'000	AA RM'000	A RM'000	Government guaranteed RM'000	Unrated RM'000	Unit linked RM'000	Total RM'000
Investments:							
LAR:							
Deposit with licensed banks	8,476	137,503	–	–	–	1,730	147,709
Loans							
Malaysian Government Guaranteed loans	–	–	–	101,410	–	–	101,410
Policy loans	–	–	–	–	85,248	–	85,248
Mortgage loans	–	–	–	–	485	–	485
Staff loans	–	–	–	–	9	–	9
AFS:							
Malaysian Government Securities	–	–	–	111,303	–	–	111,303
Corporate bonds	227,437	189,369	–	576,100	–	–	992,906
FVTPL:							
Malaysian Government Securities	–	–	–	133,468	–	725	134,193
Corporate bonds	139,621	214,934	–	706,165	–	27,680	1,088,400
Other receivables*	3,675	6,579	285	14,825	3,941	561	29,866
Cash and bank balances	25,467	1,745	–	–	62	15,905	43,179
	404,676	550,130	285	1,643,271	89,745	46,601	2,734,708

As at 31 March 2019, there are no SPPI assets that do not have low credit risk.

* *excluding prepayment and tax recoverable*

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(2) The tables below present the information about the credit risk exposure of the financial assets of the JVs of the Group. (cont'd.)

(a) The table below provides information regarding the credit risk exposure of the JV for assets subject to credit risk according to the JV's credit ratings of counterparties. The carrying amount is measured in accordance with MFRS 139 excluding any impairment allowance for those measured at amortised cost. (cont'd.)

(ii) Individually immaterial JV – AmMetLife Takaful

		Neither past due nor impaired		
31 March 2020	**Government guaranteed RM'000**	**Investment grade* (A – AAA) RM'000**	**Unrated RM'000**	**Total JV RM'000**
Investments:				
Financial assets at FVTPL:				
Unquoted in Malaysia:				
Secured Sukuk	507	–	–	507
Unsecured Sukuk	–	3,858	–	3,858
AFS securities:				
Unquoted in Malaysia:				
Secured Sukuk	3,467	–	–	3,467
Unsecured Sukuk	–	93,180	–	93,180
LAR:				
Investment accounts with licensed Islamic banks	–	20,143	–	20,143
Takaful receivables	–	1,309	654	1,963
Other receivables (excluding prepayments)	58	1,611	161	1,830
Cash and bank balances	–	24,126	7	24,133
	4,032	144,227	822	149,081

		Neither past due nor impaired		
31 March 2019	**Government guaranteed RM'000**	**Investment grade* (A – AAA) RM'000**	**Unrated RM'000**	**Total JV RM'000**
Investments:				
Financial assets at FVTPL:				
Unquoted in Malaysia:				
Secured Sukuk	312	–	–	312
Unsecured Sukuk	–	2,919	–	2,919
AFS securities:				
Unquoted in Malaysia:				
Secured Sukuk	3,398	–	–	3,398
Unsecured Sukuk	–	88,854	–	88,854
LAR:				
Investment accounts with licensed Islamic banks	–	23,798		23,798
Takaful receivables	–	1,884	1,191	3,075
Other receivables (excluding prepayments)	76	1,612	–	1,688
Cash and bank balances	–	3,616	7	3,623
	3,786	122,683	1,198	127,667

** Based on public ratings assigned by Rating Agency Malaysia and Malaysian Rating Corporation Berhad.*

As at 31 March 2020 and 31 March 2019, there are no SPPI assets that do not have low credit risk.

18. OTHER ASSETS

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Trade receivables	(a)	505,330	435,443	–	–
Other receivables, deposits and prepayments	(b)	570,623	569,727	255	955
Interest/Profit receivable		458,935	443,227	–	–
Fee receivable		26,192	29,656	–	–
Amount due from originators	(c)	–	18,350	–	–
Amount due from agents, brokers and reinsurers		50,416	54,399	–	–
Foreclosed properties		2,607	2,596	–	–
Tax recoverable		167,930	52,111	1,316	715
Collateral pledged for derivative transactions		1,035,710	386,679	–	–
		2,817,743	1,992,188	1,571	1,670
Less: Accumulated impairment losses	(d)	(8,309)	(8,737)	–	–
		2,809,434	1,983,451	1,571	1,670

(a) Trade receivables mainly relate to the stock and futures broking operations and fund management operations of the Group which include amount outstanding from purchase contracts and management fees receivable in respect of funds under the management of its subsidiaries.

(b) Included in other receivables, deposits and prepayments of the Group and of the Company are amounts due from other related companies. These intercompany balances are unsecured, non-interest bearing and are payable on demand.

(c) Amount due from originators represents housing financing acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 24.

18. OTHER ASSETS (CONT'D.)

(d) The movements of Lifetime ECL/allowances for impairment losses for other assets using simplified approach are as follows:

(i) Movements for trade receivables, other receivables, deposits and prepayments, interest receivable and fee receivable are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of financial year	8,580	29,559
Allowance/(Writeback of allowance) for impairment, net	794	(256)
Amount written off	(1,223)	(20,710)
Reversals/reclassification	–	(118)
Foreign exchange differences	1	105
Balance at end of the financial year	8,152	8,580

Trade receivables that are individually assessed to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted in payments. These receivables are not secured by any collateral or credit enhancements.

As at reporting date, trade receivables of the Group that are classified as impaired amounted to RM1,715,000 (2019: RM1,596,000).

(ii) The movement in accumulated impairment losses for foreclosed properties is as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning/end of the financial year	157	157

19. PROPERTY AND EQUIPMENT

Group 31 March 2020	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	4,140	5,102	534	67,547	9,855	206,763	440,376	207,505	7,169	948,991
Additions	–	–	–	–	250	8,848	19,522	6,712	23,104	58,436
Disposals	–	–	–	(275)	(2,051)	(15)	(8,244)	(1,990)	–	(12,575)
Written off	–	–	–	–	–	(2)	(65)	(1,110)	–	(1,177)
Reclassification/adjustments	–	–	–	–	(156)	2,544	12,089	1,805	(16,962)	(680)
Transfer from Intangible Assets (Note 20)	–	–	–	–	–	12,500	210,511	–	11,084	234,095
Reclassified to assets held for sale (Note 55)	(239)	(289)	–	(3,940)	–	–	–	–	–	(4,468)
Foreign exchange differences	–	–	–	–	9	1	20	92	–	122
At end of the financial year	3,901	4,813	534	63,332	7,907	230,639	674,209	213,014	24,395	1,222,744
Accumulated depreciation										
At beginning of the financial year	347	2,633	204	24,963	6,577	178,553	391,089	175,271	–	779,637
Depreciation for the financial year (Note 35)	–	152	6	1,081	570	12,409	36,321	12,327	–	62,866
Disposals	–	–	–	–	(1,802)	(15)	(8,241)	(1,984)	–	(12,042)
Written off	–	–	–	–	–	(2)	(58)	(1,056)	–	(1,116)
Reclassification/adjustments	–	–	–	–	(156)	–	53	–	–	(103)
Transfer from Intangible Assets (Note 20)	–	–	–	–	–	6,674	132,115	–	–	138,789
Reclassified to assets held for sale (Note 55)	(11)	(30)	–	(645)	–	–	–	–	–	(686)
Foreign exchange differences	–	–	–	–	9	1	20	92	–	122
At end of the financial year	336	2,755	210	25,399	5,198	197,620	551,299	184,650	–	967,467
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	3,565	1,804	324	37,054	2,709	33,019	122,910	28,364	24,395	254,144

Notes to the Financial Statements
As at 31 March 2020

19. PROPERTY AND EQUIPMENT (CONT'D.)

Group 31 March 2019	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	4,210	5,102	534	77,977	10,596	198,078	438,606	208,431	1,548	945,082
Additions	–	–	–	–	383	12,543	5,681	5,219	7,900	31,726
Disposals	(70)	–	–	(671)	(977)	(3,743)	(7,958)	(4,825)	–	(18,244)
Written off	–	–	–	–	–	(8)	(7)	(1,249)	–	(1,264)
Reclassification/adjustments	–	–	–	–	(156)	(90)	3,908	(165)	(4,831)	(1,334)
Transfer from Intangible Assets (Note 20)	–	–	–	–	–	–	128	–	2,552	2,680
Reclassified to assets held for sale (Note 55)	–	–	–	(9,794)	–	–	–	–	–	(9,794)
Foreign exchange differences	–	–	–	35	9	(17)	18	94	–	139
At end of the financial year	4,140	5,102	534	67,547	9,855	206,763	440,376	207,505	7,169	948,991
Accumulated depreciation										
At beginning of the financial year	347	2,478	199	28,715	6,894	171,743	373,749	168,412	–	752,537
Depreciation for the financial year (Note 35)	–	155	5	1,300	636	10,593	25,199	12,824	–	50,712
Disposals	–	–	–	(302)	(806)	(3,741)	(7,956)	(4,739)	–	(17,544)
Written off	–	–	–	–	–	(8)	(5)	(1,190)	–	(1,203)
Reclassification/adjustments	–	–	–	–	(156)	(17)	(44)	(130)	–	(347)
Transfer from Intangible Assets (Note 20)	–	–	–	–	–	–	128	–	–	128
Reclassified to assets held for sale (Note 55)	–	–	–	(4,765)	–	–	–	–	–	(4,765)
Foreign exchange differences	–	–	–	15	9	(17)	18	94	–	119
At end of the financial year	347	2,633	204	24,963	6,577	178,553	391,089	175,271	–	779,637
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	3,793	2,215	330	41,705	3,278	28,210	49,287	32,234	7,169	168,221

19. PROPERTY AND EQUIPMENT (CONT'D.)

Company 31 March 2020	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
Cost				
At beginning of the financial year	4	2,539	18	2,561
Disposals	–	(964)	–	(964)
At end of the financial year	4	1,575	18	1,597
Accumulated depreciation				
At beginning of the financial year	3	1,867	15	1,885
Depreciation for the financial year (Note 35)	1	217	1	219
Disposals	–	(839)	–	(839)
At end of the financial year	4	1,245	16	1,265
Carrying amount				
As at 31 March 2020	–	330	2	332

Company 31 March 2019	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
Cost				
At beginning and end of the financial year	4	2,539	18	2,561
Accumulated depreciation				
At beginning of the financial year	2	1,607	12	1,621
Depreciation for the financial year (Note 35)	1	260	3	264
At end of the financial year	3	1,867	15	1,885
Carrying amount				
As at 31 March 2019	1	672	3	676

20. INTANGIBLE ASSETS

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Goodwill	(a)	2,809,715	2,809,715
Other intangibles:			
Brand	(b)	94,440	94,440
Agent relationship	(b)	30,245	34,283
Credit cards relationship	(b)	10,133	13,933
Computer software	(b)	254,016	384,524
Work-in-progress ("WIP") for computer software	(b)	62,957	42,832
		451,791	570,012
		3,261,506	3,379,727

Brand

Brand relates to Kurnia Brand ("K-Brand") that arose from the acquisition of AmGeneral Insurance Berhad ("AMGI"). K-Brand is deemed to have an indefinite useful life based on management's view that K-Brand has over 20 years of recognition and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for AMGI.

K-Brand is reviewed for impairment annually and when there are indications of impairment. The recoverable amount of K-Brand is based on its value-in-use by discounting the expected future cash flows. The key assumptions for the computation of value-in-use include the growth rates and discount rates applied. Cash flow projection is based on the actual results for 2020 with premium growth rate of 2.3% to 6.7% (2019: 3.0% to 6.6%) over the next 5 years and terminal growth rate of 3.0% (2019: 3.0%). The discount rate applied is 13.0% (2019: 11.5%) which is the estimated cost of equity plus a risk adjustment.

Agent relationship

Agent relationship arose from the acquisition of AMGI. The agent relationship is deemed to have a finite useful life of 15 years and is amortised based on a straight-line basis.

Credit cards relationship

Credit cards relationship arose from the acquisition of MBF Cards. The credit cards relationship is deemed to have a finite useful life of 10 years and is amortised based on a straight-line basis.

(a) Goodwill

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Cost		
Balance at beginning/end of the financial year	2,811,037	2,811,037
Accumulated impairment		
Balance at beginning/end of the financial year	(1,322)	(1,322)
Carrying amount		
Balance at end of the financial year	2,809,715	2,809,715

20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

Impairment test for goodwill

Goodwill is reviewed for impairment annually or when there are indications of impairment. At the date of acquisition, goodwill is allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segments expected to benefit from the synergies as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Investment banking	428,026	428,026
Asset and fund management	116,128	116,128
Commercial and retail:		
– Conventional banking	1,495,009	1,495,009
– Islamic banking	53,482	53,482
General Insurance	717,070	717,070
	2,809,715	2,809,715

The recoverable amount of all CGUs, which are monitored at the operating segment level, has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board. The discount rate applied to the cash flow projections is derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU.

The cash flow projections for all CGUs other than General Insurance are based on the financial budgets approved by management covering a one-year period (2019: one-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 4.9% (2019: 4.8%) based on long-term inflation forecast and expectations of market opportunities. The discount rate applied ranged from 7.42% to 8.02% (2019: 7.81% to 7.87%).

The cash flow projections General Insurance CGU are based on the financial budgets approved by management covering a one-year period, taking into account the projected premium growth rate of 2.2% to 6.7% (2019: 3.0% to 10.7%) based on current and future industry trends. Estimated cash flows beyond the period covered by the financial budgets are extrapolated using the terminal growth rate of 3.0% (2019: 3.0%). The discount rate applied is 14.0% (2019: 11.1%).

The terminal growth rates used do not exceed the long-term average growth rate for the markets in which the businesses operate. Impairment is recognised in the statement of profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The Investment Banking CGU's recoverable amount, calculated based on value-in-use exceeded the carrying amount. However, a rise in discount rate to 8.5% (2019: 10.3%) would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount. For the other CGUs, management believes that any reasonably possible change in the key assumptions would not cause the carrying amounts of the goodwill to exceed their recoverable amounts.

20. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows:

(b) Group

31 March 2020	Brand RM'000	In-force business RM'000	Merchants relationship RM'000	Agent relationship RM'000	Credit cards relationship RM'000	Computer software RM'000	WIP for computer software RM'000	Total RM'000
Cost								
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,326,126	42,832	1,640,426
Additions	–	–	–	–	–	17,879	69,479	87,358
Reclassification/adjustments	–	–	–	–	–	36,884	38,370	(1,386)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	(223,011)	(11,084)	(234,095)
Foreign exchange differences	–	–	–	–	–	3	–	3
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,157,881	62,957	1,492,306
Accumulated amortisation								
At beginning of the financial year	–	53,538	25,000	26,207	24,067	941,602	–	1,070,414
Amortisation (Note 35)	–	–	–	4,038	3,800	101,070	–	108,908
Reclassification/adjustments	–	–	–	–	–	(21)	–	(21)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	(138,789)	–	(138,789)
Foreign exchange differences	–	–	–	–	–	3	–	3
At end of the financial year	–	53,538	25,000	30,245	27,867	903,865	–	1,040,515
Accumulated impairment loss								
At beginning of the financial year	–	–	–	–	–	–	–	–
Written off	–	–	–	–	–	–	–	–
At end of the financial year	–	–	–	–	–	–	–	–
Carrying amount								
At end of the financial year	94,440	–	–	30,245	10,133	254,016	62,957	451,791

20. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows: (cont'd.)

(b) Group (cont'd.)

31 March 2019	Brand RM'000	In-force business RM'000	Merchants relationship RM'000	Agent relationship RM'000	Credit cards relationship RM'000	Trading right RM'000	Computer software RM'000	WIP for computer software RM'000	Total RM'000
Cost									
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,232,016	65,021	1,569,578
Additions	–	–	–	–	–	–	24,087	67,750	91,837
Disposals	–	–	–	–	–	–	(21)	–	(21)
Written off	–	–	–	–	–	(1,073)	(1)	(73)	(1,147)
Reclassification/adjustments	–	–	–	–	–	–	70,170	(87,314)	(17,144)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	–	(128)	(2,552)	(2,680)
Foreign exchange differences	–	–	–	–	–	–	3	–	3
At end of the financial year	94,440	53,538	25,000	60,490	38,000	–	1,326,126	42,832	1,640,426
Accumulated amortisation									
At beginning of the financial year	–	53,538	25,000	22,174	20,267	–	831,191	–	952,170
Amortisation (Note 35)	–	–	–	4,033	3,800	–	110,561	–	118,394
Disposals	–	–	–	–	–	–	(21)	–	(21)
Reclassification/adjustments	–	–	–	–	–	–	(5)	–	(5)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	–	(128)	–	(128)
Foreign exchange differences	–	–	–	–	–	–	4	–	4
At end of the financial year	–	53,538	25,000	26,207	24,067	–	941,602	–	1,070,414
Accumulated impairment loss									
At beginning of the financial year	–	–	–	–	–	1,073	–	–	1,073
Written off	–	–	–	–	–	(1,073)	–	–	(1,073)
At end of the financial year	–	–	–	–	–	–	–	–	–
Carrying amount									
At end of the financial year	94,440	–	–	34,283	13,933	–	384,524	42,832	570,012

21. RIGHT-OF-USE ASSETS

Group 31 March 2020	Premises RM'000	Computer equipment RM'000	Total RM'000
Cost			
At beginning of the financial year	–	–	–
Effects of adoption of MFRS 16 (Note 56(a))	328,629	–	328,629
At beginning of the financial year, as restated	328,629	–	328,629
Additions	74,787	3,136	77,923
Remeasurements	(7,663)	–	(7,663)
Derecognition of expired leases	(1,265)	–	(1,265)
At end of the financial year	394,488	3,136	397,624
Accumulated depreciation			
At beginning of the financial year	–	–	–
Depreciation for the financial year (Note 35)	80.165	1,045	81,210
Derecognition of expired leases	(1,265)	–	(1,265)
At end of the financial year	78,900	1,045	79,945
Carrying amount			
At end of the financial year	315,588	2,091	317,679

This carrying amount of right-of-use assets includes estimated cost for reinstatement amounted to RM6,176,000.

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 27(e).

The Group has entered into commercial leases for premises and computer equipment, all of which do not contain any variable payment terms or residual payment guarantees. The Group is not subjected to any covenants or restrictions by entering into the leases.

The leases are typically made for fixed period of three years, but some of the leases for premises may have extension options of between three to twelve years. These options, which are exercisable only by the Group and not by the respective lessor, are negotiated by management to provide operational flexibility in managing the assets used in the operations of the Group. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (refer to Note 5.2). For most of the leases of premises, the periods covered by the extension options are included as part of the lease terms due to the significance of these assets to the Group. As such, substantially all of the future cash outflows that the Group is exposed to in connection with the leases have been reflected in the measurement of lease liabilities.

22. DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Demand deposits	22,721,480	19,464,525
Savings deposits	6,109,023	5,407,991
Term/Investment deposits	79,966,053	78,033,665
Negotiable instruments of deposits	4,170,156	4,009,808
	112,966,712	106,915,989

Included in deposits from customers of the Group are deposits of RM2,038.5 million (2019: RM1,906.8 million) held as collateral for loans, advances and financing.

22. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Due within six months	67,788,352	60,434,612
Six months to one year	13,816,530	18,760,401
Over one year to three years	2,392,042	1,819,272
Over three years to five years	139,285	1,029,188
	84,136,209	82,043,473

The deposits are sourced from the following types of customers:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Government and statutory bodies	4,419,707	4,916,717
Business enterprises	59,382,766	48,942,882
Individuals	39,867,316	45,673,217
Others	9,296,923	7,383,173
	112,966,712	106,915,989

23. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Licensed banks	5,701,479	5,018,484
Licensed investment banks	439,041	808,355
Bank Negara Malaysia	240,549	124,231
Other financial institutions	3,640,852	1,736,649
	10,021,921	7,687,719

24. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on loans and financing sold to Cagamas Berhad represents the proceeds received from loans and financing sold directly and indirectly or those acquired from the originators (as disclosed in Note 18(c)) to Cagamas Berhad with recourse. Under this arrangement for loans sold, the Group undertakes to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing, which are regarded as defective based on prudential criteria with recourse to the Group. Under the back to back arrangement with the originators, the Group acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators. The back to back arrangement ceased during the current financial year.

25. TERM FUNDING

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Senior Notes/Sukuk	(a)	1,700,000	3,333,430	–	–
Credit-Linked Notes	(b)	142,989	139,791	–	–
Other borrowings (net of unamortised issuance expenses of RM1,746,000; Nil in 2019)	(c)	658,750	161,533	–	–
		2,501,739	3,634,754	–	–

(a) The Senior Notes/Sukuk outstanding were issued under the following:

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Senior Notes programme	(i)	700,000	700,000	–	–
Senior Sukuk programme	(ii)	1,000,000	1,000,000	–	–
Euro Medium Term Note programme (net of unamortised issuance expenses of RM334,000 in 2019)	(iii)	–	1,633,430	–	–
		1,700,000	3,333,430	–	–

(i) The movements of debt securities under the Senior Notes programme are as follows:

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	700,000	1,500,000	–	500,000
Issuance during the financial year	–	700,000	–	–
Redemption during the financial year	–	(1,500,000)	–	(500,000)
Balance at end of the financial year	700,000	700,000	–	–

25. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following: (cont'd.)

(i) The movements of debt securities under the Senior Notes programme are as follows: (cont'd.)

Group

Senior Notes of the Group refers to the Senior Notes Programme ("SNP") of up to RM7.0 billion nominal value by AmBank. The proceeds from the issuance of the Senior Notes is to be utilised for AmBank's general working capital requirements.

The SNP has a tenure of up to 30 years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenure of more than 1 year and up to 10 years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The salient features of Senior Notes issued and outstanding are as follows:

– Tranche 7 which amounted to RM700.0 million in nominal value was issued on 26 June 2018 and is for a tenor of 2 years. The interest rate of this tranche is 4.50% per annum, payable semi-annually. The Senior Notes outstanding is repayable within 3 months (2019: Within 15 months).

Redemption of Senior Notes in financial year ended 31 March 2019

– The Company early redeemed its RM500.0 million in nominal value of Senior Notes issued under its RM2.0 billion Senior and/or Subordinated Medium Term Notes programme on 18 December 2018. The early redemption of Senior Notes and bond swap transaction undertaken (Note 26 (a)) was part of the Company's debt restructuring exercise for the Company to attain a debt-free status. The Group's rating was upgraded to AA2 on 19 December 2018 following the completion of the debt restructuring exercise.

– AmBank fully redeemed the following tranches on the maturity dates of the Senior Notes issued under its RM7.0 billion SNP:

  – Tranche 5 which amounted to RM400.0 million on maturity date of 21 May 2018;
  – Tranche 6 which amounted to RM600.0 million on maturity date of 25 March 2019.

(ii) The movements of debt securities under the Senior Sukuk programme are as follows:

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	1,000,000	1,000,000	–	–
Issuance during the financial year	1,000,000	–	–	–
Redemption during the financial year	(1,000,000)	–	–	–
Balance at end of the financial year	1,000,000	1,000,000	–	–

In the financial year ended 31 March 2011, AmBank Islamic implemented a Senior Islamic securities issuance ("Senior Sukuk") programme under the Shariah principle of Musharakah with nominal value of up to RM3.0 billion. The Senior Sukuk was reaffirmed a rating of AA2/Stable by RAM.

The salient features of Senior Sukuk issued and outstanding are as follows:

– Tranche 2 which amounted to RM100.0 million was issued on 5 November 2014. This tranche bears profit rate of 4.40% per annum payable semi-annually and has a tenor of 5 years. On maturity date of 5 November 2019, this tranche was fully redeemed.

– Tranche 4 which amounted to RM900.0 million was issued on 6 March 2015. This tranche bears profit rate of 4.45% per annum payable semi-annually and has a tenor of 5 years. On maturity date of 6 March 2020, this tranche was fully redeemed.

– On 27 March 2020, Tranche 5 and Tranche 6 with nominal value of RM200.0 million and RM800.0 million respectively were issued. Profit is payable semi-annually at rate of 3.55% per annum for Tranche 5 and 4.10% per annum for Tranche 6. Tranche 5 has a tenor of 2 years and Tranche 6 has a tenor of 5 years.

25. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following: (cont'd.)

(iii) The movements of debt securities under the Euro Medium Term Note programme are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	1,633,430	1,542,850
Redemption during the financial year	(1,655,000)	–
Amortisation of issuance expenses	334	972
Amortisation of premium	288	1,028
Foreign exchange differences	20,948	88,580
Balance at end of the financial year	–	1,633,430

AmBank on 3 July 2014, issued USD400.0 million Senior Notes under its USD2.0 billion Euro Medium Term Note ("Euro MTN") programme in nominal value (or its equivalent in other currencies). The Euro MTN programme was approved by the Securities Commission on 4 July 2013.

The net proceeds from Euro MTN will be utilised by AmBank for its working capital, general funding requirements and other corporate purposes. The notes, with a tenor of 5 years and maturing on 3 July 2019, are rated A3 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% (2019: 3.125%) per annum and are payable semi-annually. During the current financial year, on maturity date of 3 July 2019, AmBank fully redeemed the Euro MTN.

(b) The movements of Credit-Linked Notes ("CLN") are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	139,791	138,259
Amortisation of premium	3,198	1,532
Balance at end of the financial year	142,989	139,791

The CLN are structured investment products issued by AmBank and subscribed at nominal value. The nominal value of CLN issued and outstanding at reporting date amounted to RM150.0 million (2019: RM150.0 million). The CLNs carry a fixed interest rate at 4.00% per annum (2019: 4.00%) up to 14 September 2019 and at 2.00% per annum from 15 September 2019 to maturity date.

25. TERM FUNDING (CONT'D.)

(c) The movements in other borrowings are as follows:

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year:				
Structured deposit	161,533	148,604	–	–
Drawdown during the financial year				
Term loan	414,050	–	–	–
Issuance expenses for term loan capitalised	(2,102)	–	–	–
Net issuance during the financial year				
Structured deposit	67,477	11,887	–	–
Amortisation of:				
– premium for structured deposit	117	1,042	–	–
– issuance expenses for term loan	356	–	–	–
Foreign exchange differences	17,319	–	–	–
Balance at end of the financial year	658,750	161,533	–	–

Other borrowings comprise term loan and structured deposits:

(i) On 13 December 2019, AmBank drawdown on a term loan of USD100.0 million from two joint lenders, Wells Fargo Bank, National Association and Commerzbank Aktiengesellschaft, Luxembourg Branch. This term loan is for a period of two years and interest is charged at 3-month LIBOR +0.6%. This loan is utilised for diversifying the sources of funding the growth of the USD balance sheet.

(ii) Structured deposits which amounted to RM229,127,000 (2019: RM161,533,000) are non-principal guaranteed deposits placed by the customers. The structured deposits will mature within 1 month to 5 years (2019: 1 month to 3 years) and are roll-overed on maturity date depending on customers' request. Structured deposits for operations of Islamic banking amounted to RM34,697,000 (2019: RM80,000,000).

26. DEBT CAPITAL

	Note	Group		Company	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Subordinated Notes and Sukuk	(a)	3,745,000	3,745,000	–	–
Innovative Tier 1 Capital Securities	(b)	–	485,000	–	–
		3,745,000	4,230,000	–	–

26. DEBT CAPITAL (CONT'D.)

(a) Subordinated Notes and Sukuk

The movements in Subordinated Notes and Sukuk are as follows:

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year:					
Subordinated Notes		2,595,000	2,394,665	–	1,424,585
Subordinated Sukuk		1,150,000	599,839	–	–
Issuance during the financial year:					
Subordinated Notes		–	1,000,000	–	–
Subordinated Sukuk		–	500,000	–	–
Redemption during the financial year:					
Subordinated Notes		–	(400,000)	–	–
Subordinated Sukuk		–	(350,000)	–	–
Bond swap	26(a)(iii)				
Subordinated Notes		–	(400,000)	–	(1,425,000)
Subordinated Sukuk		–	400,000	–	–
Amortisation of issuance expenses					
Subordinated Notes		–	335	–	415
Subordinated Sukuk		–	161	–	–
Balance at end of the financial year		3,745,000	3,745,000	–	–

(i) Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had implemented a Subordinated Sukuk Murabahah programme of RM3.0 billion. The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the AmBank Islamic's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia ("BNM").

The programme has a tenure of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. The Tier 2 Subordinated Sukuk have been assigned a credit rating of AA3 by RAM.

The salient features of Subordinated Sukuk issued and outstanding are as follows:

– Tranche 3 which amounted to RM250.0 million was issued on 21 December 2015. The profit rate of this tranche is 5.35% per annum, payable semi-annually.
– Tranche 4 which amounted to RM10.0 million was issued on 30 December 2016. The profit rate of this tranche is 5.50% per annum, payable semi-annually.
– Tranche 5 which amounted to RM240.0 million was issued on 15 March 2017. The profit rate of this tranche is 5.20% per annum, payable semi-annually.
– Tranche 6 which amounted to RM150.0 million was issued on 23 February 2018. The profit rate of this tranche is 5.23% per annum, payable semi-annually.
– Tranche 7 which amounted to RM500.0 million was issued on 18 October 2018. The profit rate of this tranche is 4.88% per annum, payable semi-annually.

All the above tranches are for a tenor of 10 years.

On 18 December 2018, Tranche 4 to Tranche 6 amounting to RM400.0 million in total previously held by the Company was swapped with the Company's Subordinated Notes issued previously under a Tier 2 Subordinated Notes programme of up to RM10.0 billion. The bond swap transaction which was undertaken as part of the Company's debt restructuring exercise was approved by BNM in the financial year ended 31 March 2019.

The full amount of these tranches issued qualify for recognition as Tier 2 capital in the capital adequacy ratio computation of AmBank Islamic. Total outstanding Subordinated Sukuk Murabahah as at 31 March 2020 amounted to RM1,150,000,000 (2019: RM1,150,000,000).

26. DEBT CAPITAL (CONT'D.)

(a) Subordinated Notes and Sukuk (cont'd.)

(ii) Subordinated Notes

On 30 December 2013, AmBank established a Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing AmBank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. The Tier 2 Subordinated Notes have been assigned a credit rating of AA3 by RAM.

The salient features of Subordinated Notes issued and outstanding are as follows:

– Tranche 2 which amounted to RM500.0 million was issued on 15 March 2017. The interest rate of this tranche is 5.20% per annum, payable semi-annually.
– Tranche 3 which amounted to RM570.0 million was issued on 16 October 2017. The interest rate of this tranche is 4.90% per annum, payable semi-annually.
– Tranche 4 which amounted to RM175.0 million was issued on 23 February 2018. The interest rate of this tranche is 5.23% per annum, payable semi-annually.
– Tranche 5 which amounted to RM350.0 million was issued on 14 March 2018. The interest rate of this tranche is 5.23% per annum, payable semi-annually.
– Tranche 6 which amounted to RM1.0 billion was issued on 15 November 2018. The interest rate of this tranche is 4.98% per annum, payable semi-annually.

All the above tranches are for a tenor of 10 years.

On 18 December 2018, Tranche 2, 4 and 5 amounting to RM1.025 billion in total previously held by the Company was swapped with the Company's Subordinated Notes issued under a Tier 2 Subordinated Notes Programme of up to RM10.0 billion. The bond swap transaction which was undertaken as part of the Company's debt restructuring exercise was approved by BNM in the financial year ended 31 March 2019.

The full amount of these tranches issued qualify for recognition as Tier 2 capital in the capital adequacy ratio computation of AmBank. Total outstanding Subordinated Notes as at 31 March 2020 amounted to RM2,595,000,000 (2019: RM2,595,000,000).

(iii) Bond swap transaction undertaken in financial year ended 31 March 2019.

The Company had established a Subordinated Notes Programme of RM10.0 billion on 21 December 2016. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing the Group's total capital position. The programme, as approved by BNM is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of 30 years from the date of the first issuance under the programme. The proceeds from the securities will be for working capital, refinancing of the Company's existing borrowings, on-lending to its subsidiaries, investment into its subsidiaries and other corporate purposes. Each issuance of the Subordinated Notes under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. The Subordinated Notes Programme has been assigned a credit rating of A1/Stable by RAM Rating Services Berhad.

On 11 December 2018, at an EGM of the Company, the holders of the Subordinated Notes approved a bond swap of the Company's outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for the Company's:

– RM400.0 million in nominal value of Subordinated Sukuk issued by its subsidiary, AmBank Islamic under a Subordinated Sukuk programme of up to RM3.0 billion (Note 26 (a)(i))
– RM1.025 billion in nominal value of Subordinated Notes issued by its subsidiary, AmBank under a Subordinated Notes programme of up to RM4.0 billion (Note 26 (a)(ii))

The bond swap transaction which is approved by BNM together with the early redemption of the Company's Senior Notes as disclosed in Note 25 (a)(i) undertaken was part of the Company's debt restructuring exercise.

26. DEBT CAPITAL (CONT'D.)

(b) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485.0 million Innovative Tier 1 Capital Securities under its RM500.0 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date of 8.25% per annum and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi-annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Effective 1 January 2013, the ITICS qualify as Additional Tier 1 capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

The movements in ITICS are as follows:

	Group	
	31 March 2020 RM'000	**31 March 2019 RM'000**
Balance at beginning of the financial year	485,000	485,000
Redemption during the financial year	(485,000)	–
Balance at end of the financial year	–	485,000

On the first call date of 19 August 2019, AmBank redeemed Tranche 1 of the ITICS of RM300.0 million in nominal value. On the first call date of 30 September 2019, AmBank redeemed Tranche 2 of RM185.0 million in nominal value and cancelled the programme after this final redemption.

(c) Debt capital fully redeemed in financial year ended 31 March 2019

The movements in Medium Term Notes and Non-Innovative Tier 1 capital securities are as follows:

		Group
	Note	**31 March 2019 RM'000**
Balance at beginning of the financial year		
Medium Term Notes	26(c)(i)	600,000
Non-Innovative Tier 1 Capital securities	26(c)(ii)	500,000
Redemption during the financial year		
Medium Term Notes		(600,000)
Non-Innovative Tier 1 Capital securities		(500,000)
Balance at end of the financial year		–

26. DEBT CAPITAL (CONT'D.)

(c) Debt capital fully redeemed in financial year ended 31 March 2019 (cont'd.)

(i) Medium Term Notes

In the financial year ended 31 March 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenure of up to 20 years from the date of the first issuance under the MTN programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTN issued under the MTN Programme was included as Tier 2 Capital under BNM's Capital Adequacy Framework. Effective 1 January 2013, the MTNs are recognised as a capital instrument under Tier 2 Capital and eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

On 9 April 2018, AmBank redeemed on its first call, the full amount of Tranche 6 of RM600.0 million outstanding and the MTN Programme was cancelled after the redemption.

(ii) Non-Innovative Tier 1 Capital

In the financial year ended 31 March 2009, AmBank issued up to RM500.0 million Non-Innovative Tier 1 Capital ("NIT1") under its programme of up to RM500.0 million in nominal value comprising:

– Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
– Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities")

The SubNotes have a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. Effective 1 January 2013, the Stapled Capital Securities qualify as additional Tier 1 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

On the first call date of 27 February 2019, AmBank repaid Tranche 1 of the NIT1 with nominal value of RM200.0 million. On the first call date of 6 March 2019, AmBank repaid Tranche 2 of the NIT1 with nominal value of RM300.0 million and cancelled the programme after this repayment.

27. OTHER LIABILITIES

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Trade payables	(a)	505,342	445,075	–	–
Other payables and accruals	(b)	1,943,131	1,584,142	32,837	23,303
Interest payable on deposits and borrowings		719,606	966,826	–	–
Lease deposits and advance rental		42,954	33,620	–	–
Provision for commitments and contingencies	(c)	28,014	81,779	–	–
Allowances for ECL on loan commitments and financial guarantees	(d)	75,203	96,749	–	–
Lease liabilities	(e)	316,888	–	–	–
Provision for reinstatement of leased properties	(f)	10,927	–	–	–
Amount due to subsidiaries	(g)	–	–	14,137	8,133
Provision for taxation		19,261	44,294	–	–
Collateral received for derivative transactions		227,924	140,104	–	–
Deferred income		76,668	83,999	–	–
		3,965,918	3,476,588	46,974	31,436

27. OTHER LIABILITIES (CONT'D.)

(a) Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiary and represent contra gains owing to clients and amount payable in outstanding sales contracts.

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM19,357,000 (2019: RM19,831,000).

Provision for retirement benefits

(i) The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:

	Note	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Defined benefit obligation at beginning of the financial year		19,831	19,614
Actuarial gain	(ii)	(1,238)	(24)
Benefits paid		(1,123)	(1,647)
Service and interest costs	(iii)	1,887	1,888
Defined benefit obligation at end of the financial year		19,357	19,831
Present value of unfunded obligation		19,357	19,831
Recognised liability for defined benefit obligation		19,357	19,831

(ii) Actuarial gains and losses recognised directly in other comprehensive income:

	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Amount accumulated in retained earnings at beginning of the financial year	2,406	2,396
Actuarial gain arising from:		
(i) changes in financial and demographic assumptions	830	24
(ii) experience adjustments	408	–
Recognised during the financial year (Note i)	1,238	24
Tax effects thereon	(297)	(14)
Amount accumulated in retained earnings at end of the financial year	3,347	2,406

27. OTHER LIABILITIES (CONT'D.)

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM19,357,000 (2019: RM19,831,000). (cont'd.)

Provision for retirement benefits (cont'd.)

(iii) Expense recognised in the statement of profit or loss as retirement benefits cost:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Service cost	925	941
Interest cost	962	947
	1,887	1,888

(iv) Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	Group	
	31 March 2020	31 March 2019
Discount rate (per annum)	4.15%	4.85%
Fixed deposit rate (per annum)	2.50%	3.40%
Withdrawal rates (per annum)	5.10%	5.25%

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 7.77 years (2019: 8.07 years).

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

27. OTHER LIABILITIES (CONT'D.)

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM19,357,000 (2019: RM19,831,000). (cont'd.)

Provision for retirement benefits (cont'd.)

(iv) Actuarial assumptions (cont'd.)

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in the defined benefit obligation:

	Impact on defined benefit obligation – increase/(decrease)	
	2020 RM'000	2019 RM'000
Discount rate:		
Increase 100 basis points	(1,198)	(1,290)
Decrease 100 basis points	1,326	1,434
Fixed deposit rate:		
Increase 100 basis points	1,541	2,609
Decrease 100 basis points	(1,409)	(2,291)
Withdrawal rate:		
10% increase in the withdrawal rate	(520)	(573)
10% decrease in the withdrawal rate	542	600

(c) The movements in provision for commitments and contingencies:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	81,779	14,244
Writeback during the financial year	(490)	(1,704)
(Writeback of provision)/Provision taken up under impaired loans and advances recovered*	(51,275)	69,239
Settlement during the financial year	(2,000)	–
Balance at end of the financial year	28,014	81,779

* *Arising from the disposal of non-performing loans/financings in the financial year ended 31 March 2019 by two of the Group's banking subsidiaries, the Group had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non-performing loans/financings. The Group's banking subsidiaries, AmBank and AmBank Islamic had entered into Supplemental Sales and Purchase Agreements ("Supplemental SPAs") with the purchasers of non-performing loans/financings, Aiqon Amanah Sdn Bhd and Aiqon Islamic Sdn Bhd respectively on 30 August 2019. The Supplemental SPAs for variation of terms and conditions of the original Sales and Purchase Agreements had included a limit of RM18.0 million to the Group's liabilities for repurchase of loans/financings.*

27. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows:

Group 31 March 2020	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year		51,703	34,141	10,905	96,749
(Writeback of)/Allowances for ECL		(9,370)	(1,690)	(10,717)	(21,777)
– Transfer to 12-month ECL (Stage 1)		1,068	(10,450)	–	(9,382)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(840)	11,037	–	10,197
– Transfer to Lifetime ECL credit impaired (Stage 3)		(217)	(366)	1,027	444
New exposures originated		12,118	8,790	–	20,908
Net remeasurement of allowances		(6,072)	(2,333)	(1,332)	(9,737)
Exposures derecognised		(24,306)	(12,747)	(10,390)	(47,443)
Changes in model assumptions and methodologies	4	8,879	4,379	(22)	13,236
Foreign exchange differences		170	68	(7)	231
Balance at the end of the financial year		42,503	32,519	181	75,203

Group 31 March 2019	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year	58,069	45,950	243	104,262
(Writeback of)/Allowances for ECL	(6,472)	(11,774)	10,661	(7,585)
– Transfer to 12-month ECL (Stage 1)	1,337	(14,395)	–	(13,058)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,031)	10,414	–	8,383
– Transfer to Lifetime ECL credit impaired (Stage 3)	(136)	(217)	10,893	10,540
New exposures originated	19,512	13,733	–	33,245
Net remeasurement of allowances	(7,737)	(9,622)	(232)	(17,591)
Exposures derecognised	(17,417)	(11,687)	–	(29,104)
Foreign exchange differences	106	(35)	1	72
Balance at the end of the financial year	51,703	34,141	10,905	96,749

The movements in ECL during the financial year are due to the following:

(a) Overall 12-month ECL (Stage 1) decreased due to net derecognition of exposures and remeasurement of allowances partially offset by FL ECL overlay.

(b) Overall Lifetime ECL not credit impaired (Stage 2) decreased due to derecognition or maturity of exposures and transfer to Stage 1, partially offset by increase in new exposure, transfer in from Stage 1 and FL ECL overlay.

(c) Lifetime ECL credit impaired (Stage 3) decreased mainly due to derecognition of exposures partially offset by transfer in from other stages.

As at 31 March 2020, total FL ECL overlay in Stage 1 and Stage 2 amounted to RM16,956,000.

27. OTHER LIABILITIES (CONT'D.)

(e) The movements of lease liabilities are as follows:

Group 31 March 2020	Premises RM'000	Computer equipment RM'000	Total RM'000
At beginning of the financial year	–	–	–
Effect of adoption of MFRS 16 (Note 56(a))	313,146	–	313,146
At beginning of the financial year, as restated	313,146	–	313,146
Additions	73,723	3,136	76,859
Remeasurements	(1,736)	–	(1,736)
Finance cost charged (Note 35)	10,056	85	10,141
Payment of lease liabilities*	(80,430)	(1,092)	(81,522)
At end of the financial year	314,759	2,129	316,888

The weighted-average incremental borrowing rate for lease liabilities initially recognised as of 1 April 2019 for the Group was 3.53% per annum.

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 3.1(a) of the MFRS 16 for the current financial year end amounted to RM1,900,000 for low-value assets and RM11,790,000 for leases with contract term of less than 12 months.

* *Inclusive of RM32,807,000 of payment of lease liabilities to related parties during the financial year.*

Lease liabilities analysed by undiscounted contractual payments are as follows:

	Premises RM'000	Computer equipment RM'000	Total RM'000
Up to 1 month	7,409	85	7,494
> 1 month to 3 months	14,717	171	14,888
> 3 months to 6 months	20,840	259	21,099
> 6 months to 12 months	41,085	525	41,610
> 1 year to 5 years	185,790	1,175	186,965
Over 5 years	82,386	–	82,386
	352,227	2,215	354,442

27. OTHER LIABILITIES (CONT'D.)

(f) The movements for provision for reinstatement of leased properties are as follows:

	Group 31 March 2020 RM'000
At beginning of the financial year	–
Effect of adoption of MFRS 16 (Note 56(a))	15,483
At beginning of the financial year, as restated	15,483
Additions	1,064
Reversal of provision	(5,927)
Finance cost charged (Note 35)	307
At end of the financial year	10,927

As at 31 March 2020, the Group has estimated that it is contingently liable to incur restoration costs of RM13,400,000 upon termination of lease contracts for certain properties leased from a related party.

(g) Amount due to subsidiaries are unsecured, interest-free and is repayable on demand.

28. SHARE CAPITAL

		Group		Company	
	Note	31 March 2020 Units '000	31 March 2019 Units '000	31 March 2020 Units '000	31 March 2019 Units '000
No. of ordinary shares					
Balance at beginning and end of financial year		3,014,185	3,014,185	3,014,185	3,014,185
		RM'000	RM'000	RM'000	RM'000
Issued and fully paid ordinary shares					
Balance at beginning of financial year		5,751,557	5,551,557	5,550,250	5,550,250
Transfer from retained earnings arising from redemption of preference shares	16(a)(3)(i), 16(a)(4)(i)	100,000	200,000	–	–
Balance at end of financial year		5,851,557	5,751,557	5,550,250	5,550,250

The holders of fully paid ordinary shares, are entitled to receive dividends as and when declared by the Company. All fully paid ordinary shares carry one vote per share without restrictions and ranked equally with regards to the Company's residual assets.

The Company has an Executives' Share Scheme ("ESS"), details of the ESS are disclosed in Note 30. Total numbers of shares held as treasury shares for purposes of the ESS is 7,495,900 as at 31 March 2020. Total number of ordinary shares held-in-trust for the ESS was 4,951,750 as at 31 March 2019 and the Company had fully disposed all the shares held-in-trust during the current financial year.

Notes to the Financial Statements
As at 31 March 2020

29. RESERVES

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Regulatory reserve	(a)	387,528	450,158	–	–
Fair value reserve	(b)	635,311	479,970	–	–
Cash flow hedging deficit	(c)	(28,155)	(12,074)	–	–
Foreign currency translation reserve	(d)	108,667	94,089	–	–
ESS reserve	(e)	40,572	5,295	40,572	5,295
Shares held-in-trust for ESS	(f)	–	(31,483)	–	(31,483)
Treasury shares	(g)	(26,916)	–	(26,916)	–
Non-participating funds	(h)	45,715	45,715	–	–
Retained earnings	(i)	11,566,493	10,907,726	4,341,788	4,169,210
		12,729,215	11,939,396	4,355,444	4,143,022

(a) Regulatory reserve is maintained by the banking subsidiaries in accordance with paragraph 10.5 of the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent.

(b) The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at 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.

(c) Cash flow hedging deficit comprises the portion of the losses respectively on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(d) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) ESS reserve represents the equity-settled scheme shares granted to employees (Note 30). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled scheme share, and is reduced by the expiry of the scheme shares.

(f) Shares held-in-trust for ESS represent shares purchased under the old ESS which has expired on 11 January 2019. The Company had fully disposed all the shares held-in-trust during the current financial year.

(g) Treasury shares represents the shares of the Company listed on the Main Market of Bursa Malaysia bought back from the open market. Shares bought back are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016. These shares have no rights to vote, dividends and participate in other distributions.

During the current financial year, the Company bought back 7,495,900 ordinary shares of the Company for a total consideration of RM26,916,000 (including transaction costs) from the open market at an average price of RM3.58 per share.

(h) This non-participating funds unallocated surplus is only available for distribution to shareholders based on the amount recommended by the appointed actuary.

(i) The Company can distribute dividends out of its entire retained earnings under the single-tier system.

30. EXECUTIVES' SHARE SCHEME

On 5 October 2018, the Board of the Company approved the implementation of a new ESS. The new ESS will be in force for a maximum period of ten (10) years from the effective date. Under the new ESS By-Laws, the award granted comprise Scheme Shares.

The awards included in the ESS are:

(i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the GNRC.

(ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the GNRC.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, who meets the following criteria at date of offer of awards ("Offer Date") shall be eligible for consideration and selection in the ESS by GNRC ("Eligible Executives"):

(a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

(b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

(c) employment has been confirmed in writing;

(d) in the case of an executive director of the Company, if required, the specific allocation of shares granted by the Company to him in his capacity as an Executive Director under the ESS has been approved by the shareholders at a general meeting;

(e) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project;

(f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the GNRC shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the GNRC from time to time.

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) ("Maximum Scheme Shares Allowable") at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the total number of issued shares of the Company.

(iii) In the event that the Company purchases or cancels its own shares in accordance with the provisions of Section 127 of the Companies Act 2016 or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its issued and paid-up ordinary share capital, all the Scheme Shares granted prior to such purchase and/or the reduction/adjustment of the issued and paid-up ordinary share capital of the Company shall remain valid as if that reduction/adjustment had not occurred.

(iv) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) shall be at a discount (as determined by the GNRC) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made (or such basis as the relevant authorities may permit).

(v) The Scheme Shares to be allotted and issued or transferred to Scheme Participant (Eligible Executive who has accepted the Offer) pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the GNRC in the offer.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows: (cont'd.)

(vi) The GNRC may in its discretion decide that the Scheme Shares be satisfied either by way of acquisition of existing ordinary shares including by a share buy-back and subject to compliance with the provisions of the Companies Act 2016 and Bursa Malaysia Securities Berhad Listing Requirements.

(vii) In the event that the performance targets, performance period or other conditions stipulated in the Offer in respect of any one or more Scheme Participant cannot be achieved/satisfied, the GNRC may in its discretion by notice in writing to such Scheme Participant(s), waive its compliance, subject to any further conditions as the GNRC may in its discretion impose.

The Company and/or GNRC may establish a Trust administered by a Trustee for the purposes of acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

Details for Share Grants are as follows:

(a) Movements for Share Grants under STI award:

	Number of Shares					
	Movements During the Financial Year					
Group	Balance at 1 April 2019 '000	Granted '000	Resigned '000	Vested '000	Forfeited '000	Balance at 31 March 2020 '000
2019 ESS	–	5,412	(89)	–	–	5,323
	–	5,412	(89)	–	–	5,323

(b) Movements for Share Grants under LTI award:

	Number of Shares					
	Movements During the Financial Year					
Group	Balance at 1 April 2019 '000	Granted '000	Resigned '000	Vested '000	Forfeited '000	Balance at 31 March 2020 '000
2018 ESS	6,471	–	(357)	–	(171)	5,943
2019 ESS	–	7,459	(119)	–	–	7,340
	6,471	7,459	(476)	–	(171)	13,283

(c) The aggregate maximum allocation of Share Grants to directors and key management personnel shall not exceed 50% of the Maximum Allowable scheme shares. The actual allocation of scheme shares to key management personnel is 32.2% for STI 2019 ESS and 26.7% for LTI 2019 ESS. The actual allocation of scheme shares to key management personal is 27.5% for LTI 2018 ESS.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows: (cont'd.)

(viii) During the current financial year, an external valuer was engaged to provide valuation of the fair value of shares granted under the ESS (including the grant awarded in previous financial year). The fair value of share grants was estimated using the Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were granted. The fair value of share grants awarded, weighted average share price at grant dates and the assumptions used to derive the fair value of share grants are as follows:

Share grants under STI	Grant date 11 September 2019 2019 ESS	
	2-year vesting	1-year vesting
Fair value of shares at grant date (RM)	4.12	4.13
Weighted average share price at grant date (RM)	4.13	4.13
Vesting date	31 March 2022	31 March 2021
Risk-free rate (%)	3.1	3.0
Expected volatility (%)	24.6	21.4
Expected dividend yield (%)	7.4	7.4

Share grants under LTI	Grant date 11 September 2019 2019 ESS	Grant date 5 October 2018 2018 ESS
Fair value of shares at grant date (RM)	4.11	4.07*
Weighted average share price at grant date (RM)	4.13	4.08
Vesting date	31 March 2022	31 March 2021
Risk-free rate (%)	3.1	3.6
Expected volatility (%)	23.9	25.0
Expected dividend yield (%)	7.4	4.9

The risk-free rate is employed using a range of risk-free rates for MGS tenure from 1 year to 4 years.

* *restated based on external valuation.*

31. NON-CONTROLLING INTERESTS

	Note	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Balance at beginning of financial year		999,499	1,144,453
Share in net results of subsidiaries		112,118	97,780
Share in other comprehensive income		461	5
Transfer of ESS shares recharged - difference on purchase price for shares vested		–	(109)
Return of capital by a subsidiary	16(a)(3)(iii)	(49,000)	–
Dividends received by non-controlling interests		(83,810)	(242,630)
Balance at end of the financial year		979,268	999,499

32. INTEREST INCOME

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	68,761	108,589	5,247	9,155
Financial assets at fair value through profit or loss	422,901	481,238	–	–
Financial investments at fair value through other comprehensive income	493,365	332,903	–	–
Financial investments at amortised cost	141,970	142,211	–	52,949
Loans and advances	3,788,345	3,783,703	–	–
Impaired loans and advances	6,539	19,337	–	–
Others	18,130	24,092	–	–
	4,940,011	4,892,073	5,247	62,104

33. INTEREST EXPENSE

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Deposits from customers	2,256,333	2,430,465	–	–
Deposits and placements of banks and other financial institutions	188,196	158,560	–	–
Senior notes	45,585	121,801	–	16,151
Credit-Linked Notes	7,547	7,531	–	–
Securities sold under repurchase agreements	162,647	43,044	–	–
Recourse obligation on loans sold to Cagamas Berhad	159,662	169,235	–	–
Term loans and revolving credit	3,619	–	–	–
Subordinated bonds and notes	131,459	130,898	–	53,364
Medium term notes	–	822	–	–
Tier 1 capital securities	17,103	81,462	–	–
Other structured products and others	29,243	23,947	–	–
	3,001,394	3,167,765	–	69,515

34. OTHER OPERATING INCOME

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Fee and commission income:					
Fees on loans and securities		155,310	154,239	–	–
Corporate advisory		17,933	14,901	–	–
Guarantee fees		54,071	58,001	–	–
Underwriting commission		323	870	–	–
Portfolio management fees		35,364	36,356	–	–
Unit trust fees, commission and charges		125,394	112,136	–	–
Property trust management fees		7,348	7,383	–	–
Brokerage fees and commission		34,108	35,549	–	–
Bancassurance commission		14,089	11,887	–	–
Wealth management fees		26,867	11,673	–	–
Remittances		24,626	21,948	–	–
Fees, service and commission charges		27,971	31,154	–	–
Other fees		20,429	20,398	–	–
		543,833	516,495	–	–
Investment and trading income:					
Net gain from sale of financial assets at fair value through profit or loss		36,617	40,337	–	–
Net gain from sale of financial investments at fair value through other comprehensive income		87,756	20,352	–	–
Net gain on redemption of financial investments at amortised cost		11,676	–	–	–
Net loss on revaluation of financial assets at fair value through profit or loss		(19,587)	(34,067)	–	–
Net gain on foreign exchange		102,409	161,403	–	–
Net loss on derivatives		(5,881)	(31,674)	–	–
Dividend income from:					
Subsidiaries		–	–	851,836	1,122,065
Financial assets at fair value through profit or loss		26,330	25,308	34	36
Financial investments at fair value through other comprehensive income	11(i)	7,806	2,897	–	–
Distribution from capital repayment by subsidiary		–	–	–	25,000
Others		282	5,103	–	–
		247,408	189,659	851,870	1,147,101
Other income:					
Net gain on non-trading foreign exchange		1,237	1,359	–	–
Net gain on disposal of property and equipment[1]		1,635	2,764	103	–
Rental income		5,046	6,045	–	–
Profit from sale of goods and services		18,030	18,486	–	–
(Loss)/Gain on disposal of foreclosed properties		(1)	21,336	–	–
Others		14,228	17,051	1,298	896
		40,175	67,041	1,401	896
		831,416	773,195	853,271	1,147,997

[1] *Included gain of RM1.5 million (2019: RM0.7 million) upon completion of disposal for properties and investment property classified as assets held-for-sale (Note 55).*

35. OTHER OPERATING EXPENSES

	Note	Group		Company	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel costs					
Salaries, allowances and bonuses		918,356	981,583	–	8,436
Shares granted under ESS					
– charge/(writeback)		35,263	(5,269)	–	(270)
Contributions to EPF/Private Retirement Scheme		153,901	155,747	–	1,221
Social security cost		8,356	8,259	–	5
Other staff related expenses		125,149	120,177	–	386
		1,241,025	1,260,497	–	9,778
Establishment costs:					
Depreciation of property and equipment	19	62,866	50,712	219	264
Depreciation of right-of-use assets	21	81,210	–	–	–
Amortisation of intangible assets	20	108,908	118,394	–	–
Computerisation costs		195,207	193,465	230	3
Rental of premises		11,790	96,492	–	–
Cleaning, maintenance and security		30,118	29,224	–	–
Finance costs:					
– interest on lease liabilities	27(e)	10,141	–	–	–
– provision for reinstatement of leased properties	27(f)	307	–	–	–
Others		34,123	36,047	–	4
		534,670	524,334	449	271
Marketing and communication expenses:					
Sales commission		9,676	11,928	–	–
Advertising, promotional and other marketing activities		64,694	54,200	347	386
Telephone charges		23,616	19,000	8	25
Postage		9,528	9,794	–	–
Travel and entertainment		15,092	14,522	61	201
Others		15,437	19,566	–	90
		138,043	129,010	416	702
Administration and general expenses:					
Professional services		96,428	89,141	1,425	2,841
Travelling		5,987	5,351	1	31
Insurance		4,234	4,523	–	18
Subscriptions and periodicals		9,984	9,482	4	23
Others		77,820	108,534	5,617	6,191
		194,453	217,031	7,047	9,104
Service transfer pricing expense, net		–	–	18,662	3,941
Total		2,108,191	2,130,872	26,574	23,796

35. OTHER OPERATING EXPENSES (CONT'D.)

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Included in other operating expenses are the following:					
Directors' remuneration	36	4,971	5,004	3,706	3,531
Property and equipment written off	19	61	61	–	–
Intangible assets written off	20	–	74	–	–
Auditors' remuneration:					
Parent auditor					
Audit		3,978	5,957	105	115
Regulatory and assurance related		938	2,501	29	215
Other services		1,345	1,697	–	–
Firms affiliated with parent auditor					
Audit		–	13	–	–
Other auditors					
Audit		–	3	–	–

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Group are as follows:

	Remuneration received from the Group					
31 March 2020	Fees RM'000	Salary RM'000	Other Emoluments RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir	–	2,541	910	3,142	51	6,644
	–	2,541	910	3,142	51	6,644
Non-Executive Directors:						
Tan Sri Azman Hashim	210	–	1,473	–	26	1,709
Graham Kennedy Hodges	200	–	108	–	1	309
Soo Kim Wai	350	–	203	–	21	574
Voon Seng Chuan	360	–	462	–	2	824
Datuk Shireen Ann Zaharah binti Muhiudeen	50	–	28	–	1	79
Seow Yoo Lin	350	–	210	–	2	562
Farina binti Farikhullah Khan	350	–	213	–	4	567
Hong Kean Yong	95	–	40	–	1	136
Dato' Kong Sooi Lin	147	–	64	–	–	211
	2,112	–	2,801	–	58	4,971
Total remuneration	2,112	2,541	3,711	3,142	109	11,615

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Group are as follows: (cont'd.)

31 March 2019	Remuneration received from the Group					
	Fees RM'000	Salary RM'000	Other Emoluments RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir	–	2,328	774	1,060	38	4,200
	–	2,328	774	1,060	38	4,200
Non-Executive Directors:						
Tan Sri Azman Hashim	451	–	1,991	–	37	2,479
Graham Kennedy Hodges	200	–	86	–	1	287
Soo Kim Wai	237	–	109	–	20	366
Voon Seng Chuan	352	–	291	–	2	645
Datuk Shireen Ann Zaharah binti Muhiudeen	200	–	89	–	2	291
Seow Yoo Lin	269	–	135	–	2	406
Farina binti Farikhullah Khan	350	–	177	–	3	530
	2,059	–	2,878	–	67	5,004
Total remuneration	2,059	2,328	3,652	1,060	105	9,204

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

31 March 2020	Remuneration received from the Company					
	Fees RM'000	Salary RM'000	Other Emoluments RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir	–	–	–	–	–	–
	–	–	–	–	–	–
Non-Executive Directors:						
Tan Sri Azman Hashim	210	–	1,473	–	13	1,696
Graham Kennedy Hodges	200	–	108	–	1	309
Soo Kim Wai	200	–	103	–	–	303
Voon Seng Chuan	200	–	197	–	–	397
Datuk Shireen Ann Zaharah binti Muhiudeen	50	–	28	–	1	79
Seow Yoo Lin	200	–	152	–	1	353
Farina binti Farikhullah Khan	200	–	108	–	–	308
Hong Kean Yong	95	–	40	–	1	136
Dato' Kong Sooi Lin	84	–	41	–	–	125
Total remuneration	1,439	–	2,250	–	17	3,706
	1,439	–	2,250	–	17	3,706

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows: (cont'd.)

	Remuneration received from the Company					
31 March 2019	Fees RM'000	Salary RM'000	Other Emoluments RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir*	–	1,061	353	483	17	1,914
	–	1,061	353	483	17	1,914
Non-Executive Directors:						
Tan Sri Azman Hashim	210	–	1,460	–	30	1,700
Graham Kennedy Hodges	200	–	86	–	1	287
Soo Kim Wai	200	–	82	–	20	302
Voon Seng Chuan	200	–	159	–	1	360
Datuk Shireen Ann Zaharah binti Muhiudeen	200	–	89	–	2	291
Seow Yoo Lin	200	–	106	–	2	308
Farina binti Farikhullah Khan	200	–	81	–	2	283
	1,410	–	2,063	–	58	3,531
Total remuneration	1,410	1,061	2,416	483	75	5,445

* *The remuneration for Chief Executive Officer of AmBank includes an amount of RM1,850,000 representing the remuneration prior to January 2019, which was paid by AMMB and subsequently reimbursed by AmBank under service transfer pricing expenses. Effective from January 2019, the remuneration for Chief Executive Officer was paid by AmBank.*

37. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Impairment on loans, advances and financing:			
Allowances for ECL	13(i)	666,412	536,097
Recovered, net		(343,781)	(837,400)
		322,631	(301,303)

38. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Financial investments			
Financial investments at fair value through other comprehensive income	11	47,012	11,301
Financial investments at amortised cost	12	(484)	536
		46,528	11,837
Other financial assets			
Cash and short-term funds	6	(512)	330
Deposits and placements with banks and other financial institutions	8	(1,590)	2,075
Other assets		794	(225)
		(1,308)	2,180

39. TAXATION AND ZAKAT

		Group		Company	
	Note	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Current tax:					
Estimated current tax payable		353,365	543,573	1,288	1,880
(Over)/Under provision in prior years		(20,499)	(24,559)	132	(3)
		332,866	519,014	1,420	1,877
Deferred tax:	15				
Origination and reversal of temporary differences		18,792	(30,659)	–	–
(Over)/Under provision in prior years		(24,662)	1,549	–	–
		(5,870)	(29,110)	–	–
Taxation	(a)	326,996	489,904	1,420	1,877
Zakat		3,027	2,401	–	–
		330,023	492,305	1,420	1,877

Domestic income tax is calculated at the statutory tax rate of 24.0% (2019: 24.0%) on the estimated chargeable profit for the financial year. The computation of deferred tax for the current financial year is based on the tax rate of 24.0% (2019: 24.0%).

39. TAXATION AND ZAKAT (CONT'D.)

(a) A reconciliation of the taxation applicable to profit before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Profit before taxation and zakat	1,782,856	2,095,374	819,056	1,092,707
Taxation at Malaysian statutory tax rate of 24.0% (2019: 24.0%)	427,885	502,890	196,573	262,250
Effect of different tax rates in Labuan	(3,758)	(7,123)	–	–
Income not subject to tax	(66,162)	(39,912)	(204,449)	(275,304)
Restricted and non-deductibility of expenses for tax purposes	15,337	64,625	9,164	14,934
Tax recoverable recognised on income subject to tax remission	(1,899)	(2,658)	–	–
(Over)/Under provision of income tax in prior years	(20,499)	(24,559)	132	(3)
(Over)/Under provision of deferred tax in prior years	(24,662)	1,549	–	–
Tax on share in results of associates and joint ventures	754	(4,908)	–	–
Taxation for the financial year	326,996	489,904	1,420	1,877

40. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding the weighted average of shares bought back held as treasury shares.

	Group	
	31 March 2020 RM'000/'000	31 March 2019 RM'000/'000
Net profit attributable to equity holders of the Company	1,340,715	1,505,289
Number of ordinary shares in issue	3,014,185	3,014,185
Effect of ordinary shares purchased for the ESS, net of number vested to eligible executives	–	(5,278)
Effect of shares bought back and held as treasury shares	(6,571)	–
Effect of ordinary shares held-in-trust disposed off	(3,937)	–
Weighted average number of ordinary shares in issue	3,003,677	3,008,907
Basic earnings per share (sen)	44.64	50.03

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

41. DIVIDENDS

Dividends recognised and paid by the Company are as follows:

	Group and Company	
	31 March 2020 RM'000	31 March 2019 RM'000
In respect of financial year ended 31 March 2020		
Interim single-tier dividend of 6.0 sen per share	180,837	–
In respect of financial year ended 31 March 2019		
Interim single-tier dividend of 5.0 sen per share	–	150,710
Final single-tier dividend of 15.0 sen per share	452,128	–
In respect of financial year ended 31 March 2018		
Final single-tier dividend of 10.0 sen per share	–	301,418
	632,965	452,128
Proposed but not recognised as a liability:		
In respect of financial year ended 31 March 2020		
Final single-tier dividend of 7.3 sen per share	220,035	–
In respect of financial year ended 31 March 2019		
Final single-tier dividend of 15.0 sen per share	–	452,128
	220,035	452,128

(a) Proposed final dividend

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021 (2019: 31 March 2020).

(b) Dividends paid by the Company's subsidiaries to non-controlling interests

Dividends paid by the Company's subsidiary to non-controlling interests amounted to RM83,810,000 during the financial year ended 31 March 2020 (31 March 2019: RM242,630,000).

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 16.

(ii) Associates and joint ventures

Details of associates and joint ventures are disclosed in Note 17.

(iii) Key management personnel ("KMP")

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly. The key management personnel of the Group and of the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries of the Group (including close member of their families).

(iv) Companies in which certain Directors have substantial financial interest

These are entities in which significant voting power in such entities, either directly or indirectly, resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies in which certain directors have substantial financial interest		Companies which have significant influence over the Group	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group										
Income										
Interest on loans, advances and financing	–	–	16,842	22,567	361	297	8,503	15,252	–	–
Bancassurance commission	–	–	16,204	12,660	–	–	–	–	–	–
Fee income	–	–	207	142	5	1	95	–	–	–
Loss on derivatives	–	–	–	–	–	–	–	–	(46,805)	(11,854)
	–	–	33,253	35,369	366	298	8,598	15,252	(46,805)	(11,854)
Expenses										
Interest on deposits	–	–	78	35	2,052	1,110	428	333	–	–
Customer loyalty awards	–	–	4,404	6,734	–	–	–	–	–	–
Rental of premises	–	–	8,374	38,736	–	–	340	429	–	–
Utilities and miscellaneous expenses	–	–	1,015	1,368	–	–	–	–	–	–
Insurance premium	–	–	26,953	33,156	–	–	–	52	–	–
Marketing	–	–	–	–	–	–	–	87	–	–
Travelling	–	–	–	–	–	–	2,533	4,259	–	–
	–	–	40,824	80,029	2,052	1,110	3,301	5,160	–	–
Company										
Income										
Interest on deposits	5,247	6,170	–	–	–	–	–	–	–	–
Interest on financial investments at amortised cost	–	52,949	–	–	–	–	–	–	–	–
Dividend income from subsidiaries	851,836	1,122,065	–	–	–	–	–	–	–	–
Other income	217	219	–	–	–	–	–	–	–	–
	857,300	1,181,403	–	–	–	–	–	–	–	–
Expenses										
Service transfer pricing expenses (net)	18,662	3,941	–	–	–	–	–	–	–	–

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies in which certain directors have substantial financial interest		Companies which have significant influence over the Group	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group										
Assets:										
Loans, advances and financing	–	–	370,025	392,403	8,381	8,764	300,632	273,103	–	–
Amount due from related companies	–	–	7,086	8,072	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	–	–	5,309	7,434
Other assets	–	–	41	1,323	–	–	–	–	63,855	13,481
Right-of-use assets	–	–	99,344	–	–	–	–	–	–	–
	–	–	476,496	401,798	8,381	8,764	300,632	273,103	69,164	20,915
Liabilities:										
Deposits and placements	–	–	26,848	7,167	64,124	102,528	255,216	258,946	18,573	6,384
Derivative financial liabilities	–	–	–	–	–	–	–	–	60,121	17,738
Other liabilities	–	–	7,753	7,488	–	–	–	–	–	129
Lease liabilities	–	–	100,279	–	–	–	–	–	–	–
	–	–	134,880	14,655	64,124	102,528	255,216	258,946	78,694	24,251
Commitments and contingencies										
Contingent liabilities	–	–	2,480	2,480	–	–	–	18,369	101,973	180,881
Commitments	–	–	51,320	29,315	5,937	5,943	42,500	121,500	1,339,697	295,000
Contract/notional amount for derivatives	–	–	–	–	–	–	–	–	1,721,175	3,021,225
	–	–	53,800	31,795	5,937	5,943	42,500	139,869	3,162,845	3,497,106
Operating lease commitments:										
Rental of premises	–	–	–	–	–	–	–	514	–	–
Company										
Assets:										
Cash and short-term funds	322,262	81,005	–	–	–	–	–	–	–	–
Amount due from related companies	–	–	221	691	–	–	–	–	–	–
	322,262	81,005	221	691	–	–	–	–	–	–
Liabilities:										
Amount owing to related companies	14,137	8,133	–	–	–	–	–	–	–	–

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) There were no granting of loans to the Directors of the Company other than in the normal course of business of the Group and of the Company. Loans made to Directors and other key management personnel of the Group are on similar terms and conditions generally available to other employees within the Group. No provisions have been recognised in respect of loans given to directors and key management personnel.

(d) The Company incurs intercompany charges for shared operating costs of the Group in Malaysia as disclosed under service transfer pricing expenses. The services received relate to expenses incurred for group shared services in respect of key management personnel costs, internal audit, finance, human resource, marketing and communications, legal, company secretarial, organisation and development and information systems.

(e) In the previous financial year, the Group had disposed non-performing loans/financing to two entities, Aiqon Amanah Sdn Bhd and Aiqon Islamic Sdn Bhd which are subsidiaries of Aiqon Capital Sdn Bhd ("Aiqon Capital"). Aiqon Capital is jointly controlled by a company that is controlled by Aiqon Capital's Group Executive Chairman/Chief Executive Officer who is a close family member of a director and major shareholder of the Company. The disposal had generated a gain of approximately RM302.6 million which was taken up under impaired loans, advances and financing recovered as disclosed in Note 37. During the current financial year, arising from Supplemental SPAs entered into with the purchasers of the non-performing loans/financing, the Group had written back to the profit or loss (under impaired loans, financing and advances recovered in Note 37) RM51.2 million provision for estimated expenditure relating to the Group's obligations to repurchase loans/financing sold.

(f) Key management personnel compensation

The remuneration of Directors of the Company and other key management personnel during the financial year are as follows:

	Group		Company	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Directors:				
Fees	2,112	2,059	1,439	1,410
Salary and other remuneration	2,801	2,878	2,250	2,063
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	58	67	17	58
Total short-term employee benefits	4,971	5,004	3,706	3,531
Other key management personnel:				
Salary and other remuneration	31,305	20,246	–	11,665
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	6,111	4,107	–	2,150
Total short-term employee benefits	37,416	24,353	–	13,815

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	31 March 2020	31 March 2019
Outstanding credit exposures with connected parties (RM'000)	5,389,736	2,299,375
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures (%)	4.18	1.98
which is impaired or in default (%)	–	0.01

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014.

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

Based on these guidelines, a connected party refers to the following:

(i) Directors of AmBank, AmInvestment Bank and AmBank Islamic ("the Banks") and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Banks, and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Banks and their connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and corporate bonds and/or sukuk issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

44. FIDUCIARY DUTY

(a) In respect of investment portfolio management

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2020 amounted to RM49,978,666,000 (2019: RM48,638,678,000).

(b) In respect of monies in trust

Monies in trust in relation to the Group's stockbroking business excluded from the statement of financial position in accordance with Financial Reporting Standards Implementation Committee Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" ("FRSIC Consensus 18"):

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Clients' trust balances and dealers' representative balances	375,873	236,146
Remisiers' trust balances	23,851	24,039
	399,724	260,185

44. FIDUCIARY DUTY (CONT'D.)

(b) In respect of monies in trust (cont'd.)

Monies held in trust in relation to the Group's fund management business excluded from the statements of financial position:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Monies from unprocessed sale of unit trust funds	18,884	16,853

45. CAPITAL COMMITMENTS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	31,192	33,385
Purchase of furniture and fittings, office equipment and renovation	193	–
Leasehold improvements	13,488	13,693
	44,873	47,078
Authorised but not contracted for:		
Purchase of computer equipment and software	103,941	69,963
	148,814	117,041

46. OPERATING LEASE COMMITMENTS

The Group has lease commitments in 2019 in respect of rented premises and equipment on hire, all of which are classified as operating leases. The future minimum lease payments under the non-cancellable operating lease, net of sub-leases are as follows:

	Group
	31 March 2019 RM'000
One year or less	66,121
Over one year to five years	77,050
	143,171

During the current financial year, the Group has adopted MFRS 16 *Leases*, which the effects, including the reconciliation of the operating lease commitments as at 31 March 2019 to the lease liabilities as at 1 April 2019 is as disclosed in Note 56(a)(ii) to the financial statements.

47. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the banking subsidiaries of the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the principal amounts of commitments and contingencies and notional contracted amounts of derivatives are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,873,188	16,558,502
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,056,411	2,910,184
Unutilised credit card lines	5,127,590	5,174,605
Forward asset purchases	1,989,103	1,593,203
	26,046,292	26,236,494
Contingent Liabilities		
Direct credit substitutes	2,553,489	2,590,041
Transaction related contingent items	4,286,704	5,392,151
Obligations under underwriting agreements	20,000	100,000
Short term self liquidating trade related contingencies	723,120	900,886
	7,583,313	8,983,078
Derivative Financial Instruments		
Interest/Profit rate related contracts:	53,347,175	53,030,833
One year or less	10,348,960	7,320,942
Over one year to five years	36,463,230	35,609,670
Over five years	6,534,985	10,100,221
Foreign exchange related contracts:	44,371,910	41,370,547
One year or less	34,805,859	35,768,559
Over one year to five years	8,625,327	4,214,120
Over five years	940,724	1,387,868
Credit related contracts:	356,069	345,108
Over one year to five years	356,069	345,108
Equity and commodity related contracts:	1,769,895	1,050,698
One year or less	1,637,855	860,041
Over one year to five years	132,040	190,657
	99,845,049	95,797,186
	133,474,654	131,016,758

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company's unsecured guarantee amounting to RM50.0 million (2019: RM70.0 million) given on behalf of AmInvestment Bank Berhad ("AmInvestment Bank") for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc. in respect of its futures trading activity with AmInvestment Bank, has expired on 9 October 2019. The AMMB Board had on 31 March 2020 approved the issuance of the corporate guarantee amounting to RM50.0 million to be effected from 1 April 2020.

(b) As of reporting date, AmMetLife Insurance Berhad ("AmMetLife") had received complaints from 66 policyholders relating to the alleged mis-selling of a certain insurance product of AmMetLife. AMAB Holdings Sdn Bhd ("AMAB Holdings") and MetLife International Holdings, Inc ("MetLife") are working jointly in the process of investigating these complaints and assessing any financial impact thereon.

Under the terms for the sale by AMAB Holdings to MetLife of shares in AmMetLife, the Group would fully indemnify MetLife or AmMetLife from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

(c) The Malaysia Competition Commission ("MyCC")'s Proposed Decision ("PD") against Persatuan Insurans Am Malaysia ("PIAM") and its 22 members (including AmGeneral Insurance Berhad, a subsidiary).

On 13 May 2019, AmGeneral Insurance Berhad's legal counsel delivered 3rd oral representations to MyCC and followed up with Members of Commissioner ("MOC") on the proposed undertakings which is, reiterating its position that it has not infringed Section 4(2)(a) of the Competition Act, 2010 ("CA 2010") and that no infringement penalties should be imposed.

As at reporting date, MOC has not reached a decision and there is no final finding on infringement or non-infringement by MyCC. AmGeneral Insurance Berhad will continue to follow up on this matter.

(d) On 9 December 2019, the Company and its wholly-owned subsidiary, AmBank Islamic were served with a writ and statement of claim by Dato' Sri Mohd Najib bin Hj Abd Razak ("Plaintiff"). In this action, the Plaintiff is seeking damages in relation to the conduct of his current accounts opened with AmBank Islamic.

The Company and AmBank Islamic have appointed solicitors to defend the suit and have been advised by solicitors that the allegations are not sustainable and AmBank Islamic and the Company have a strong defence. The Company and AmBank Islamic will vigorously oppose the action. The suit will not have a material impact on the operations of AmBank Islamic and the Company.

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group 31 March 2020	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	15,611,728	–	15,611,728
Deposits and placements with banks and other financial institutions	98,845	–	98,845
Derivative financial assets	797,152	1,280,129	2,077,281
Financial assets at fair value through profit or loss	8,846,595	3,699,262	12,545,857
Financial investments at fair value through other comprehensive income	5,862,495	13,860,406	19,722,901
Financial investments at amortised cost	586,475	4,266,338	4,852,813
Loans, advances and financing	26,081,637	79,869,293	105,950,930
Statutory deposits with Bank Negara Malaysia	–	489,006	489,006
Deferred tax assets	–	51,457	51,457
Investment in associates and joint ventures	–	699,275	699,275
Other assets	2,546,158	263,276	2,809,434
Reinsurance assets and other insurance receivables	312,604	145,302	457,906
Property and equipment	–	254,144	254,144
Intangible assets	–	3,261,506	3,261,506
Right-of-use assets	–	317,679	317,679
Assets held for sale	2,324	–	2,324
TOTAL ASSETS	60,746,013	108,457,073	169,203,086
LIABILITIES			
Deposits from customers	110,435,385	2,531,327	112,966,712
Investment accounts of customers	208,726	–	208,726
Deposits and placements of banks and other financial institutions	9,785,774	236,147	10,021,921
Securities sold under repurchase agreements	6,352,709	–	6,352,709
Recourse obligation on loans and financing sold to Cagamas Berhad	3,665,015	1,475,008	5,140,023
Derivative financial liabilities	650,110	1,309,993	1,960,103
Term funding	887,459	1,614,280	2,501,739
Debt capital	–	3,745,000	3,745,000
Redeemable cumulative convertible preference share	–	231,311	231,311
Deferred tax liabilities	–	69,720	69,720
Other liabilities	3,526,738	439,180	3,965,918
Insurance contract liabilities and other insurance payables	1,668,404	810,760	2,479,164
TOTAL LIABILITIES	137,180,320	12,462,726	149,643,046

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. (cont'd.)

Group 31 March 2019	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	7,073,744	–	7,073,744
Deposits and placements with banks and other financial institutions	196,159	–	196,159
Derivative financial assets	167,922	596,001	763,923
Financial assets at fair value through profit or loss	16,614,019	2,751,576	19,365,595
Financial investments at fair value through other comprehensive income	5,307,765	10,402,108	15,709,873
Financial investments at amortised cost	119,439	5,026,877	5,146,316
Loans, advances and financing	25,403,940	75,140,081	100,544,021
Statutory deposits with Bank Negara Malaysia	–	3,155,541	3,155,541
Deferred tax assets	–	66,162	66,162
Investment in associates and joint ventures	–	710,091	710,091
Other assets	1,750,533	232,918	1,983,451
Reinsurance assets and other insurance receivables	330,403	195,144	525,547
Property and equipment	–	168,221	168,221
Intangible assets	–	3,379,727	3,379,727
Assets held for sale	5,029	–	5,029
TOTAL ASSETS	56,968,953	101,824,447	158,793,400
LIABILITIES			
Deposits from customers	104,067,529	2,848,460	106,915,989
Investment accounts of customers	353,451	–	353,451
Deposits and placements of banks and other financial institutions	7,566,869	120,850	7,687,719
Securities sold under repurchase agreements	5,339,422	–	5,339,422
Recourse obligation on loans and financing sold to Cagamas Berhad	2,833,351	1,825,002	4,658,353
Derivative financial liabilities	164,428	661,064	825,492
Term funding	2,707,765	926,989	3,634,754
Debt capital	485,000	3,745,000	4,230,000
Redeemable cumulative convertible preference share	–	224,229	224,229
Deferred tax liabilities	–	63,702	63,702
Other liabilities	3,340,175	136,413	3,476,588
Insurance contract liabilities and other insurance payables	1,691,581	1,001,668	2,693,249
TOTAL LIABILITIES	128,549,571	11,553,377	140,102,948

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. (cont'd.)

Company 31 March 2020	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	322,262	–	322,262
Financial assets at fair value through profit or loss	–	1,078	1,078
Investment in subsidiaries and other investments	–	9,627,425	9,627,425
Other assets	1,571	–	1,571
Property and equipment	–	332	332
Total Assets	323,833	9,628,835	9,952,668
Liabilities			
Other liabilities	46,974	–	46,974
Total Liabilities	46,974	–	46,974

Company 31 March 2019	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	81,005	–	81,005
Financial assets at fair value through profit or loss	–	1,044	1,044
Investment in subsidiaries and other investments	–	9,640,313	9,640,313
Other assets	1,670	–	1,670
Property and equipment	–	676	676
Total Assets	82,675	9,642,033	9,724,708
Liabilities			
Other liabilities	31,436	–	31,436
Total Liabilities	31,436	–	31,436

49. CAPITAL MANAGEMENT

The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3-year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements; and
(b) Capital requirement to support business growth, strategic objectives, buffer for material risks not captured under regulatory capital requirements and stress test results.

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 operates processes and controls to monitor and manage capital adequacy across the organisation. Capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Assets and Liabilities Committee ("GALCO"). The GALCO is also responsible for managing the Group's statement of financial position, capital and liquidity.

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.

49. CAPITAL MANAGEMENT (CONT'D.)

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

	31 March 2020			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	12.220%	11.165%	40.638%	12.642%
Tier 1 Capital ratio	12.220%	11.165%	40.638%	12.642%
Total Capital ratio	16.769%	15.950%	41.076%	15.998%
After deducting proposed dividends:				
CET1 Capital ratio	12.046%	11.165%	37.161%	12.440%
Tier 1 Capital ratio	12.046%	11.165%	37.161%	12.440%
Total Capital ratio	16.595%	15.950%	37.600%	15.796%

	31 March 2019			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	11.752%	11.654%	43.711%	12.328%
Tier 1 Capital ratio	12.406%	11.654%	43.711%	12.328%
Total Capital ratio	17.038%	16.836%	44.174%	15.864%
After deducting proposed dividends:				
CET1 Capital ratio	11.323%	11.084%	41.539%	11.890%
Tier 1 Capital ratio	11.977%	11.084%	41.539%	11.890%
Total Capital ratio	16.609%	16.267%	42.001%	15.426%

Notes:

(1) The capital adequacy ratios are computed in accordance to BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's policy document on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

(2) The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to section 112(3) of the FSA or section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019 and is presenting the capital adequacy ratios on FHC basis from 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

(3) Pursuant to the BNM's policy document on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall 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 banking institutions have credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies for exposures in Malaysia; and
(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	31 March 2020			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,380,683	2,148,410	313,545	11,557,241
Fair value reserve	368,847	56,249	999	616,558
Foreign exchange translation reserve	99,587	–	–	108,667
Treasury shares	–	–	–	(26,916)
Regulatory reserve	311,003	71,612	4,912	387,528
Cash flow hedging deficit	(28,155)	–	–	(28,155)
Other remaining disclosed reserves	–	–	–	40,572
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(264,492)	(1,034)	(1,116)	(277,233)
Deferred tax assets	(33,439)	–	(7,179)	(23,114)
55% of cumulative gains in fair value reserve	(202,866)	(30,937)	(550)	(339,107)
Cash flow hedging deficit	28,155	–	–	28,155
Regulatory reserve	(311,003)	(71,612)	(4,912)	(387,528)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,086)	(148)	–	(1,154)
CET1 Capital	9,279,211	3,559,647	455,890	13,780,426
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	458
Tier 1 Capital	9,279,211	3,559,647	455,890	13,780,884
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,420,697
General provisions*	858,821	375,600	4,916	1,237,269
Tier 2 Capital	3,453,821	1,525,600	4,916	3,657,966
Total Capital	12,733,032	5,085,247	460,806	17,438,850

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

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

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	68,705,693	30,960,556	841,125	99,174,151
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(912,582)	–	(192,639)
Total Credit RWA	68,705,693	30,047,974	841,125	98,981,512
Market RWA	2,351,627	294,650	17,004	3,176,949
Operational RWA	4,217,469	1,539,751	263,707	6,191,409
Large exposure risk RWA for equity holdings	657,669	–	–	658,015
Total RWA	75,932,458	31,882,375	1,121,836	109,007,885

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (cont'd.)

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,014,840	1,933,885	296,696	10,773,243
Fair value reserve	245,836	39,151	1,089	460,863
Foreign exchange translation reserve	85,109	–	–	94,089
Regulatory reserve	280,556	164,928	4,674	450,158
Shares held-in-trust for ESS	–	–	–	(31,483)
Cash flow hedging deficit	(12,074)	–	–	(12,074)
Other remaining disclosed reserves	–	–	–	5,295
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(368,654)	(1,351)	(1,750)	(386,109)
Deferred tax assets	(57,589)	–	(3,051)	(53,957)
55% of cumulative gains in fair value reserve	(135,210)	(21,533)	(599)	(253,475)
Cash flow hedging deficit	12,074	–	–	12,074
Regulatory reserve	(280,556)	(164,928)	(4,674)	(450,158)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	–	(49,809)	(1,334,000)
CET1 Capital	**8,716,309**	**3,337,259**	**442,576**	**12,733,378**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	–	–	–
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	439
Tier 1 Capital	**9,201,309**	**3,337,259**	**442,576**	**12,733,817**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,476,745
General provisions*	840,495	334,015	4,684	1,175,912
Tier 2 Capital	**3,435,495**	**1,484,015**	**4,684**	**3,652,657**
Total Capital	**12,636,804**	**4,821,274**	**447,260**	**16,386,474**

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

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

Credit RWA	67,239,575	28,526,091	732,342	94,407,762
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(1,804,893)	–	(334,809)
Total Credit RWA	67,239,575	26,721,198	732,342	94,072,953
Market RWA	2,358,358	475,926	28,644	2,807,287
Operational RWA	4,037,878	1,439,025	251,510	5,880,399
Large exposure risk RWA for equity holdings	531,402	–	–	531,792
Total RWA	**74,167,213**	**28,636,149**	**1,012,496**	**103,292,431**

50. RISK MANAGEMENT

50.1 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 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/amendments taking into account prevailing or expected changes to the environment that the Group operates in.

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

AmBank Group Risk Direction

AmBank Group's strategic direction is to be top 4 in each of the 4 growth segments (Mass Affluent, Affluent, SME and Mid-Corp), top 4 in each of the 4 focus products (Cards and Merchants, Transaction Banking, Markets and Wealth Management) and to sustain top 4 position in each of the current engines (Corporate Loans, Debt Capital Market ("DCM") and Funds Management).

1 AmBank Group aspires to maintain its current financial institution rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2 AmBank Group aims to maintain a minimum ROCE of 12% and RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
3 AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4 AmBank Group 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 points 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 AmBank Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
6 AmBank Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
   b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

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

The Board has also established the Group Management Risk Committee ("GMRC") to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT project risk.

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

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

50. RISK MANAGEMENT (CONT'D.)

50.1 General Risk Management (cont'd.)

Impact of coronavirus ("COVID-19")

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

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

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

It is too soon for the Group to see the full impact of COVID-19 on its portfolio however, the financial markets are witnessing a wave of increased volatility, coupled with the drastic drop in oil price. The forward looking strategies would be aligned to the government's direction.

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

50.2 Credit Risk Management

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

Identify	• 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 and Risk-based pricing for Retail • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

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

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 banking subsidiaries' 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 banking subsidiaries' 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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

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/financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending/financing 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 objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions;
- Setting Retail risk-based segment pricing, taking into account expected credit loss, operational expenses and credit cost; and
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such counterparty exposure exceeds RM160 million in aggregate or group counterparty exceed RM1.0 billion in aggregate, it will be submitted to Board Credit Committee ("BCC") for review with powers to veto, as the case may be.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/financing portfolio, and review the portfolio risk profile against the Group Risk Appetite Framework ("GRAF"), and recommend or approve new and amended credit risk policy and guideline.

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

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

Maximum Credit Risk Exposure and Concentration

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1a Industry Analysis

Group 31 March 2020	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	22,788	161,992	122,505	–	555	7,862	269,672	585,374
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	112,173	62,426	–	5,011	171,598	–	–	351,208
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	15,630	724,745	13,379	1,005,864	668,336	501,473	819,706	3,749,133
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	94,702	–	–	106,550	2,034,365	–	169,692	2,405,309
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	94,702	–	–	106,550	2,034,365	–	169,692	2,405,309
Loans, advances and financing								
Hire purchase	731	357	6,912	172	9,772	61,400	28,435	107,779
Mortgage	6,292	2,433	51,248	2,330	57,757	86,178	14,939	221,177
Credit card	–	–	–	–	–	–	–	–
Other loans and financing	110,071	37,508	599,048	17,403	566,626	1,232,765	188,766	2,752,187
Corporate loans, advance and financing								
Term loans and bridging loans	1,633,916	2,278,346	6,169,553	125,341	828,184	2,073,215	1,537,434	14,645,989
Revolving credits	761,896	129,363	1,645,438	511,410	1,429,314	440,464	601,814	5,519,699
Overdrafts	157,786	21,442	674,008	6,998	957,924	884,935	174,886	2,877,979
Trade	228,971	45,582	4,581,800	10,331	852,227	3,020,305	139,778	8,878,994
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,899,663	2,515,031	13,728,007	673,985	4,701,804	7,799,262	2,686,052	35,003,804
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	1,464	6,858	5,208	26,470	67,961	1,734	18,054	127,749
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	1,464	6,858	5,208	26,470	67,961	1,734	18,054	127,749
	3,146,420	3,471,052	13,869,099	1,817,880	7,644,619	8,310,331	3,963,176	42,222,577
Contingent liabilities	80,803	630,785	1,269,661	552,423	3,036,205	626,022	208,964	6,404,863
Commitments	515,243	256,340	5,048,401	564,390	4,762,378	2,226,927	727,170	14,100,849
Total	596,046	887,125	6,318,062	1,116,813	7,798,583	2,852,949	936,134	20,505,712

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1a Industry Analysis (cont'd.)

Group 31 March 2020	Subtotal from previous page 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	Allowances for ECL RM'000	Total RM'000
Cash and short-term funds	–	2,337,913	13,274,676	–	–	–	–	–	(861)	15,611,728
Deposits and placements with banks and other financial institutions	–	99,330	–	–	–	–	–	–	(485)	98,845
Derivative financial assets	585,374	1,473,490	–	1,670	1,882	191	1,279	13,395	–	2,077,281
Financial assets at fair value through profit or loss										
Money market securities	–	101,882	8,523,855	–	–	–	–	–	–	8,625,737
Quoted corporate bonds and sukuk	–	37,500	–	–	–	–	–	–	–	37,500
Unquoted corporate bonds and sukuk	351,208	921,592	160,031	209,709	–	–	–	1,598,638	–	3,241,178
Financial investments at fair value through other comprehensive income										
Money market securities	–	299,544	8,185,626	–	–	–	–	–	–	8,485,170
Unquoted corporate bonds and sukuk	3,749,133	2,866,873	2,286,548	413,730	–	10,165	–	1,317,732	–	10,644,181
Financial investments at amortised cost										
Money market securities	–	–	432,436	–	–	–	–	–	–	432,436
Unquoted corporate bonds and sukuk	2,405,309	770,706	757,207	245,351	25,000	–	–	221,718	–	4,425,291
Allowances for ECL	–	–	–	–	–	–	–	–	(4,914)	(4,914)
Total financial investments at amortised cost	2,405,309	770,706	1,189,643	245,351	25,000	–	–	221,718	(4,914)	4,852,813
Loans, advances and financing										
Hire purchase	107,779	482	–	2,068	4,387	5,508	12,952,210	–	–	13,072,434
Mortgage	221,177	8,484	–	95,830	46,702	67,810	35,963,484	–	–	36,403,487
Credit card	–	–	–	–	–	–	2,599,569	–	–	2,599,569
Other loans and financing	2,752,187	98,193	–	357,808	266,527	291,268	3,613,179	34,342	–	7,413,504
Corporate loans, advance and financing										
Term loans and bridging loans	14,645,989	635,965	–	4,553,527	2,059,489	507,271	89,262	–	–	22,491,503
Revolving credits	5,519,699	1,586,866	–	2,442,341	694,492	843,938	1,006,900	26,443	–	12,120,679
Overdrafts	2,877,979	84,760	–	231,446	171,260	118,294	95,863	–	–	3,579,602
Trade	8,878,994	166,359	–	22,357	142,370	327,752	–	–	–	9,537,832
Allowances for ECL	–	–	–	–	–	–	–	–	(1,267,680)	(1,267,680)
Total loans, advances and financing	35,003,804	2,581,109	–	7,705,377	3,385,227	2,161,841	56,320,467	60,785	(1,267,680)	105,950,930
Statutory deposits with Bank Negara Malaysia	–	–	489,006	–	–	–	–	–	–	489,006
Other financial assets	127,749	1,496,546	148,573	44,115	31,209	419	51,476	472,529	–	2,372,616
Allowances for ECL	–	–	–	–	–	–	–	–	(8,151)	(8,151)
Total other financial assets	127,749	1,496,546	148,573	44,115	31,209	419	51,476	472,529	(8,151)	2,364,465
	42,222,577	12,986,486	34,257,958	8,619,952	3,443,318	2,172,616	56,373,222	3,684,797	(1,277,177)	162,478,834
Contingent liabilities	6,404,863	180,480	–	606,562	218,064	172,240	1,104	–	–	7,583,313
Commitments	14,100,849	401,553	1,989,103	783,627	573,003	412,154	7,734,176	51,827	–	26,046,292
Total	20,505,712	582,033	1,989,103	1,390,189	791,067	584,394	7,735,280	51,827	–	33,629,605

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1a Industry Analysis (cont'd.)

Group 31 March 2019	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	4,728	120,681	30,094	–	–	2,791	32,719	191,013
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	49,436	81,468	–	–	579,848	–	–	710,752
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	15,296	719,212	79,660	603,322	696,321	579,546	798,506	3,491,863
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	94,576	–	65,824	40,964	2,036,537	–	169,567	2,407,468
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	94,576	–	65,824	40,964	2,036,537	–	169,567	2,407,468
Loans, advances and financing								
Hire purchase	1,116	352	7,095	253	11,587	74,786	24,467	119,656
Mortgage	6,041	3,246	59,191	2,488	74,815	98,791	16,804	261,376
Credit card	–	–	–	–	–	–	–	–
Other loans and financing	67,744	38,492	496,817	10,076	391,603	847,219	116,117	1,968,068
Corporate loans, advance and financing								
Term loans and bridging loans	1,912,112	1,374,734	3,606,361	277,422	600,555	1,961,557	1,141,525	10,874,266
Revolving credits	953,747	224,910	2,021,186	130,960	1,366,664	466,850	934,216	6,098,533
Overdrafts	120,567	32,447	750,935	6,262	1,159,308	791,205	147,499	3,008,223
Trade	223,010	31,696	4,829,663	15,037	818,249	2,553,160	360,670	8,831,485
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	3,284,337	1,705,877	11,771,248	442,498	4,422,781	6,793,568	2,741,298	31,161,607
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	1,160	6,724	6,639	21,520	65,826	1,906	16,100	119,875
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	1,160	6,724	6,639	21,520	65,826	1,906	16,100	119,875
	3,449,533	2,633,962	11,953,465	1,108,304	7,801,313	7,377,811	3,758,190	38,082,578
Contingent liabilities	57,431	711,802	1,693,373	487,663	3,676,318	650,845	260,619	7,538,051
Commitments	593,865	592,847	5,300,993	590,637	4,338,129	2,176,751	828,282	14,421,504
Total	651,296	1,304,649	6,994,366	1,078,300	8,014,447	2,827,596	1,088,901	21,959,555

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1a Industry Analysis (cont'd.)

Group 31 March 2019	Subtotal from previous page 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	Allowances for ECL RM'000	Total RM'000
Cash and short-term funds	–	5,182,945	1,892,150	–	–	–	–	–	(1,351)	7,073,744
Deposits and placements with banks and other financial institutions	–	198,234	–	–	–	–	–	–	(2,075)	196,159
Derivative financial assets	191,013	539,337	–	1,934	2,145	100	737	28,657	–	763,923
Financial assets at fair value through profit or loss										
Money market securities	–	6,489,701	7,955,620	–	–	–	–	–	–	14,445,321
Quoted corporate bonds and sukuk	–	37,937	–	–	–	–	–	–	–	37,937
Unquoted corporate bonds and sukuk	710,752	1,142,413	–	241,803	–	–	–	2,102,488	–	4,197,456
Financial investments at fair value through other comprehensive income										
Money market securities	–	299,918	5,617,747	–	–	–	–	–	–	5,917,665
Unquoted corporate bonds and sukuk	3,491,863	4,515,168	40,063	473,813	–	10,161	–	736,927	–	9,267,995
Financial investments at amortised cost										
Money market securities	–	–	472,186	–	–	–	–	–	–	472,186
Unquoted corporate bonds and sukuk	2,407,468	842,039	817,600	360,401	30,000	–	–	222,020	–	4,679,528
Allowances for ECL	–	–	–	–	–	–	–	–	(5,398)	(5,398)
Total financial investments at amortised cost	2,407,468	842,039	1,289,786	360,401	30,000	–	–	222,020	(5,398)	5,146,316
Loans, advances and financing										
Hire purchase	119,656	327	–	2,163	21,808	6,066	15,125,259	138	–	15,275,417
Mortgage	261,376	5,231	–	115,550	71,486	76,209	33,504,315	3,304	–	34,037,471
Credit card	–	–	–	–	109	–	2,514,262	–	–	2,514,371
Other loans and financing	1,968,068	25,154	–	248,756	226,293	216,353	2,551,121	39,744	–	5,275,489
Corporate loans, advance and financing										
Term loans and bridging loans	10,874,266	358,528	–	4,689,017	1,315,785	1,160,345	864,920	78,044	–	19,340,905
Revolving credits	6,098,533	2,121,575	–	2,948,610	244,458	46,074	921,354	22,540	–	12,403,144
Overdrafts	3,008,223	31,611	–	268,029	294,273	62,463	120,846	106,852	–	3,892,297
Trade	8,831,485	147,189	–	17,337	105,003	4,454	–	–	–	9,105,468
Allowances for ECL	–	–	–	–	–	–	–	–	(1,300,541)	(1,300,541)
Total loans, advances and financing	31,161,607	2,689,615	–	8,289,462	2,279,215	1,571,964	55,602,077	250,622	(1,300,541)	100,544,021
Statutory deposits with Bank Negara Malaysia	–	–	3,155,541	–	–	–	–	–	–	3,155,541
Other financial assets	119,875	998,999	129,941	44,694	43,837	1,436	42,098	333,034	–	1,713,914
Allowances for ECL	–	–	–	–	–	–	–	–	(8,580)	(8,580)
Total other financial assets	119,875	998,999	129,941	44,694	43,837	1,436	42,098	333,034	(8,580)	1,705,334
	38,082,578	22,936,306	20,080,848	9,412,107	2,355,197	1,583,661	55,644,912	3,673,748	(1,317,945)	152,451,412
Contingent liabilities	7,538,051	340,070	–	658,548	242,498	152,613	433	50,865	–	8,983,078
Commitments	14,421,504	861,541	962,673	822,169	745,839	132,748	8,290,022	–	–	26,236,496
Total	21,959,555	1,201,611	962,673	1,480,717	988,337	285,361	8,290,455	50,865	–	35,219,574

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1a Industry Analysis (cont'd.)

Company	Finance and Insurance RM'000	Others RM'000	Total RM'000
31 March 2020			
Cash and short-term funds	322,262	–	322,262
Other financial assets	255	–	255
Total financial assets	322,517	–	322,517
31 March 2019			
Cash and short-term funds	81,005	–	81,005
Other financial assets	–	1,670	1,670
Total financial assets	81,005	1,670	82,675

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1b Geographical Analysis

Group 31 March 2020	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	14,564,051	1,048,538	15,612,589
Less : Allowances for ECL	–	(861)	(861)
	14,564,051	1,047,677	15,611,728
Deposits and placements with banks and other financial institutions	99,330	–	99,330
Less : Allowances for ECL	(485)	–	(485)
	98,845	–	98,845
Derivative financial assets	1,896,172	181,109	2,077,281
Financial assets at fair value through profit or loss			
Money market securities	8,625,737	–	8,625,737
Quoted corporate bonds and sukuk	37,500	–	37,500
Unquoted corporate bonds and sukuk	3,241,178	–	3,241,178
Financial investments at fair value through other comprehensive income			
Money market securities	8,485,170	–	8,485,170
Unquoted corporate bonds and sukuk	10,436,822	207,359	10,644,181
Financial investments at amortised cost			
Money market securities	432,436	–	432,436
Unquoted corporate bonds and sukuk	4,425,291	–	4,425,291
Less : Allowances for ECL	(4,914)	–	(4,914)
Total financial investments at amortised cost	4,852,813	–	4,852,813
Loans, advances and financing			
Hire purchase	13,072,434	–	13,072,434
Mortgage	36,403,487	–	36,403,487
Credit card	2,599,569	–	2,599,569
Other loans and financing	7,413,504	–	7,413,504
Corporate loans, advance and financing			
Term loans and bridging loans	22,239,730	251,773	22,491,503
Revolving credits	11,994,964	125,715	12,120,679
Overdrafts	3,579,602	–	3,579,602
Trade	9,518,524	19,308	9,537,832
Allowances for ECL	(1,253,820)	(13,860)	(1,267,680)
Total loans, advances and financing	105,567,994	382,936	105,950,930
Statutory deposits with Bank Negara Malaysia	489,006	–	489,006
Other financial assets	1,784,914	587,702	2,372,616
Allowances for ECL	(3,673)	(4,478)	(8,151)
Total other financial assets	1,781,241	583,224	2,364,465
	160,076,529	2,402,305	162,478,834
Contingent liabilities	7,540,168	43,145	7,583,313
Commitments	25,892,117	154,175	26,046,292
	33,432,285	197,320	33,629,605

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1b Geographical Analysis (cont'd.)

Group 31 March 2019	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,834,068	1,241,027	7,075,095
Less : Allowances for ECL	–	(1,351)	(1,351)
	5,834,068	1,239,676	7,073,744
Deposits and placements with banks and other financial institutions	34,834	163,400	198,234
Less : Allowances for ECL	–	(2,075)	(2,075)
	34,834	161,325	196,159
Derivative financial assets	474,665	289,258	763,923
Financial assets at fair value through profit or loss			
Money market securities	14,445,321	–	14,445,321
Quoted corporate bonds and sukuk	37,937	–	37,937
Unquoted corporate bonds and sukuk	4,197,456	–	4,197,456
Financial investments at fair value through other comprehensive income			
Money market securities	5,917,665	–	5,917,665
Unquoted corporate bonds and sukuk	9,161,866	106,129	9,267,995
Financial investments at amortised cost			
Money market securities	472,186	–	472,186
Unquoted corporate bonds and sukuk	4,679,528	–	4,679,528
Less : Allowances for ECL	(5,398)	–	(5,398)
Total financial investments at amortised cost	5,146,316	–	5,146,316
Loans, advances and financing			
Hire purchase	15,275,417	–	15,275,417
Mortgage	34,037,471	–	34,037,471
Credit card	2,514,371	–	2,514,371
Other loans and financing	5,275,489	–	5,275,489
Corporate loans, advance and financing			
Term loans and bridging loans	19,164,092	176,813	19,340,905
Revolving credits	12,301,864	101,280	12,403,144
Overdrafts	3,892,297	–	3,892,297
Trade	9,105,468	–	9,105,468
Allowances for ECL	(1,289,372)	(11,169)	(1,300,541)
Total loans, advances and financing	100,277,097	266,924	100,544,021
Statutory deposits with Bank Negara Malaysia	3,155,541	–	3,155,541
Other financial assets	1,566,741	147,173	1,713,914
Allowances for ECL	(8,580)	–	(8,580)
Total other financial assets	1,558,161	147,173	1,705,334
	150,240,927	2,210,485	152,451,412
Contingent liabilities	8,942,228	40,850	8,983,078
Commitments	26,065,789	170,707	26,236,496
	35,008,017	211,557	35,219,574

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1b Geographical Analysis (cont'd.)

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
31 March 2020			
Cash and short-term funds	322,262	–	322,262
Other financial assets	255	–	255
	322,517	–	322,517
31 March 2019			
Cash and short-term funds	81,005	–	81,005
Other financial assets	1,670	–	1,670
	82,675	–	82,675

Collateral and other credit enhancement

Main Types of Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits;
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuk;
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds);
- Non-exchange traded shares;
- Residential and non-residential property;
- Plantation land, mining land, quarry land and vacant land;
- Passenger vehicle, commercial vehicle, construction vehicle and vessel; and
- Plant and machineries.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not supported by collateral.

The Group Collateral Policy, is the internally recognised collateral framework for lending/financing purposes as well as for regulatory capital.

The Group's policies regarding obtaining collateral have not significantly changed during the financial year and there has been no significant change in the overall quality of the collateral held by the Group since the previous financial year.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower/customer, where borrower/customer risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower/customer is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation

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

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer/borrowers can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

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

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are currently aligned to eight rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Retail Banking

Risk Grade	Category	PD ranges	Description
1 to 6	Exceptionally Strong	0.0001% to 0.0737%	• Exceptionally good credit risk profile with exceptionally low PD of <0.0737%. • Exceptionally strong capacity and willingness to meet its financial commitments as evidenced by prompt repayment track record. • Exhibits high degree resilience to adverse development in view of its very established employment profile and track record.
7 to 12	Very strong	0.0738% to 0.5942%	• Very good credit risk profile with very low PD of <0.5942%. • Very strong capacity and willingness to meet its financial commitments as evidenced by generally prompt repayment record. • Exhibits high degree resilience to adverse development in view of its established employment profile and track record.
13 to14	Strong	0.5943% to 1.0159%	• Good credit risk profile with low PD of <1.0159%. • Exhibit willingness to meet its financial commitments as evidenced by good repayment track record. • Generally in position to withstand adverse development in view of its favourable employment profile and track record.
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile with acceptable PD of <2.2722%. • Adequate willingness to meet its financial commitments as evidenced by satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile with moderate PD of up to 4.1028%. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile with higher PD of up to 8.2931%. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions as generally evidenced by fair repayment track record. • Moderate employment profile and track record.
21 to 24	Substandard	>=8.2932%	• Substandard credit risk profile with poor PD of >= 8.2932%. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record. • Unfavourable employment profile and track record.
99	Impaired	100%	• Impaired account. Classified as impaired as per the prevailing Group Classified Account Management ("CAM") Policy.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Non-Retail Banking

Credit Quality Classification	Definition
Exceptionally strong	Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are: • Exceptionally solid and stable operating and financial performance. • Debt servicing capacity has been exceptionally strong over the long term. • All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future. • Highly unlikely to be adversely affected by foreseeable events.
Very strong	Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are: • Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. • Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are: • Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/ or operating performance. • Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are: • Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/ or operating performance. • Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. • Counterparty's financial and/or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.
Moderate	Counterparties demonstrate limited operational and financial stability and may have a track record of fluctuating and poor earnings and profitability evidencing their past susceptibility to cyclical trends. The key characteristics are: • Capacity for timely fulfilment of financial obligations exists. • Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. • Overall credit quality may be more volatile within this category.
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are: • Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct. • Debt servicing capacity is marginal. • Often under strong, sustained competitive pressure. • Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium term. • Significant changes and instability in senior management may be observed.
Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are: • Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct. • Current and expected debt servicing capacity is inadequate. • Financial solvency is questionable and/or financial structure is weak. • Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. • Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as "impaired" as per the CAM Policy for Credit Facility.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Impairment

The Group's CAM Policy and its corresponding Guidelines for the respective Line of Businesses are established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM's policies/guidelines. In general, an asset is considered impaired when:

(a) The Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Group;
(b) The obligor has breached its contractual payment obligations and past due for more than 90 days; and
(c) Other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay are hit.

Group provisioning methodology

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

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

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

(i) Stage 1: For performing financial instruments which credit risk has not been significantly increased since initial recognition.

(ii) Stage 2: For underperforming financial instruments which credit risk had significantly increased since initial recognition.

(iii) Stage 3: For financial instruments which are credit impaired.

Measurement of ECL

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.

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

Changes 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 loss	Lifetime expected credit losses	Lifetime expected credit losses

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Measurement of ECL (cont'd.)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below.

Significant increase in credit risk ("SICR")

The Group considers a financial instrument to have experienced a significant increase in credit risk when it is more than 30 days past due on its contractual payments or when a quantitative and qualitative analysis, based on the Group's historical experience, expert credit assessment and forward looking information indicates as such. The requirement is to calculate remaining Lifetime ECL at the reporting date when the financial instrument experienced SICR, compared to one year ECL calculation when exposure was initially recognised.

(i) Quantitative

Each exposure is allocated to a credit risk grade at initial recognition based on a variety of data that is determined to be predictive of the risk of default and experienced credit judgement about the borrower. Factors determining credit risk grades vary depending on nature of exposures and type of borrowers. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. There are 3 risk bands with Exceptionally Strong to Strong in the first risk band, Moderate to Satisfactory in the second risk band and Marginal to Substandard in the third risk band. Risk grade movement to a higher risk category may result in SICR.

(ii) Qualitative

The Group may determine that an exposure has undergone a significant increase in credit risk experiences using its expert credit risk judgement and where possible, relevant historical experience based on qualitative indicators specified by the Group's watchlist criteria that it considers as such and whose effect may not otherwise be fully reflected in quantitative analysis on a timely basis.

In relation to non-retail financial instruments, where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty borrower basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Wholesale Credit Risk team.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all financial instruments held by the Group.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is considered in default if its contractual payments is more than 90 days past due.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These include instances where:

- The borrower is in breach of non-financial covenant for example guarantor is deceased or become of unsound mind or non compliance of security ratio;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s); or
- The borrower has ceased operations due to financial distress.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the EAD, PD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Measurement of ECL (cont'd.)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the following variables:

– Probability of Default ("PD");
– Loss Given Default ("LGD"); and
– Exposure At Default ("EAD") or Historical Loss Rates ("LR")

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward looking information.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Credit risk grades are a primary input into the determination of PD term structure for exposures. If a counterparty or exposure migrates between rating grades, then this will lead to a change in associated PD. The Group collects performance and default information about its credit risk exposures analysed by portfolio.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan-to-Value ("LTV") ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discount factor.

EAD represents the expected exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward looking forecasts.

Historical LR represents the past record of average loss experience for financial assets of similar classes.

Forward-looking information incorporated in the ECL models

The measurement of ECL also takes into account the expected credit condition over the remaining life of the financial assets. Forward looking models are built based on statistical relationship established between Observed Default Rate ("ODR") and Macroeconomic variables ("MEVs").

This analysis includes the identification and calibration of relationships between changes in default rates and to the MEVs. Examples of key macroeconomic indicators include Gross Domestic Product ("GDP") growth, Kuala Lumpur Interbank Offered Rate ("KLIBOR"), and Consumer Price Index ("CPI").

3 scenarios are projected for forward looking namely base case, optimistic and pessimistic which requires management judgement of the economic situation i.e. normal, bullish or downturn. A weightage is applied to the scenarios to produce an appropriate forward looking ECL to best reflect the forward looking economic outlook.

Key variables/assumptions for ECL calculation

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This involves establishing the forward-looking macroeconomic conditions into ECL as required under MFRS 9. The allowances for ECL are sensitive to the inputs used and economic assumptions underlying the estimate.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Measurement of ECL (cont'd.)

Key variables/assumptions for ECL calculation (cont'd.)

The following table shows the forecast of key economic variables used in forward-looking models for ECL calculations for financial year ended 31 March 2020. (Yearly values = average of forecasted quarterly values).

31 March 2020

Macroeconomy Variable	ECL Scenario	Assigned Probabilities (%)	2020	2021	2022	2023	2024
Consumer Price Index (%)	Base Case	10%	(1.53)	1.50	1.65	1.90	2.00
	Optimistic	10%	(1.57)	1.46	1.61	1.85	1.90
	Pessimistic	80%	(1.48)	1.54	1.69	2.00	2.05
GDP Growth (%)	Base Case	10%	(2.00)	4.78	4.45	4.75	5.00
	Optimistic	10%	(1.95)	4.89	4.56	4.87	5.13
	Pessimistic	80%	(2.06)	4.66	4.34	4.63	4.88
House Price Index (%)	Base Case	10%	(5.58)	(1.33)	1.13	1.60	1.70
	Optimistic	10%	(5.44)	(1.29)	1.15	1.64	1.74
	Pessimistic	80%	(5.72)	(1.36)	1.10	1.56	1.66
USD/MYR Exchange Rate	Base Case	10%	4.50	4.20	4.15	4.09	4.03
	Optimistic	10%	4.38	4.10	4.05	3.99	3.93
	Pessimistic	80%	4.61	4.31	4.25	4.19	4.13
Brent Oil Price (USD/barrel)	Base Case	10%	28.20	55.25	60.00	63.50	66.00
	Optimistic	10%	28.91	56.63	61.50	65.09	67.65
	Pessimistic	80%	26.79	53.87	58.50	61.91	64.35

31 March 2019

Macroeconomy Variable	ECL Scenario	Assigned Probabilities (%)	2019	2020	2021	2022	2023
Consumer Price Index (%)	Base Case	80%	1.45	2.10	1.78	2.25	2.88
	Optimistic	10%	1.41	2.05	1.73	2.19	2.80
	Pessimistic	10%	1.49	2.15	1.82	2.31	2.95
GDP Growth (%)	Base Case	80%	4.45	5.15	5.47	5.80	5.35
	Optimistic	10%	4.56	5.28	5.61	5.95	5.48
	Pessimistic	10%	4.34	5.02	5.34	5.66	5.22
House Price Index (%)	Base Case	80%	2.15	2.65	3.40	4.05	5.86
	Optimistic	10%	2.20	2.72	3.49	4.15	6.01
	Pessimistic	10%	2.10	2.58	3.32	3.95	5.72
USD/MYR Exchange Rate	Base Case	80%	4.07	3.99	3.89	3.79	3.90
	Optimistic	10%	3.97	3.60	3.56	3.49	3.80
	Pessimistic	10%	4.17	4.40	4.35	4.27	4.00
Brent Oil Price (USD/barrel)	Base Case	80%	62.50	72.25	74.50	75.50	78.00
	Optimistic	10%	64.06	74.06	76.36	77.39	79.95
	Pessimistic	10%	60.94	70.44	72.64	73.61	76.05

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

Measurement of ECL (cont'd.)

Write-off Policy

(i) Stage 1 write-off

The Group may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. The outstanding contractual amounts of such assets written off during the year ended 31 March 2020 was RM1,053,171,000 (2019: RM607,611,000). The Group still seeks legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

The Group writes off financial assets in whole when it has exhausted all necessary recovery actions against credit exposures and there is minimal prospect of recovery and/or further recovery is not economical, then the credit exposures will be written off from both the general ledger and subsidiary ledger.

Modified Financial Assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 ("Lifetime ECL") to Stage 1 ("12-month ECL"). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group's restructuring activities and their respective effect on the Group's financial performance:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Loans, advances and financing		
Amortised cost before modification	1,274,790	519,996
Net modification loss included under interest income (Note 32)	(4,088)	(5,738)

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system.

Cash and short-term funds

Group 31 March 2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Total RM'000
Risk grade			
Exceptionally Strong	993,387	–	993,387
Very Strong	14,606,151	–	14,606,151
Strong	12,581	185	12,766
Substandard	–	58	58
Unrated	227	–	227
Gross exposure	15,612,346	243	15,612,589
Less: Allowances for ECL	(833)	(28)	(861)
Net exposure	15,611,513	215	15,611,728

Group 31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Total RM'000
Risk grade			
Exceptionally Strong	120,168	–	120,168
Very Strong	4,325,531	–	4,325,531
Strong	2,629,365	–	2,629,365
Substandard	–	31	31
Gross exposure	7,075,064	31	7,075,095
Less: Allowances for ECL	(1,320)	(31)	(1,351)
Net exposure	7,073,744	–	7,073,744

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Cash and short-term funds (cont'd.)

Company 31 March 2020	Stage 1 12-month ECL RM'000
Risk grade	
Very Strong	322,262
Gross exposure	322,262
Less: Allowances for ECL	–
Net exposure	322,262

Company 31 March 2019	Stage 1 12-month ECL RM'000
Risk grade	
Very Strong	81,005
Gross exposure	81,005
Less: Allowances for ECL	–
Net exposure	81,005

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Financial investments at fair value through other comprehensive income

Group 31 March 2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Total RM'000
Risk grade			
Exceptionally Strong	65,857	–	65,857
Very Strong	16,585,401	–	16,585,401
Strong	1,371,531	361,085	1,732,616
Satisfactory	208,533	85,757	294,290
Moderate	87,527	363,660	451,187
Gross exposure	18,318,849	810,502	19,129,351
Less: Allowances for ECL	(16,020)	(16,449)	(32,469)
Net exposure	18,302,829	794,053	19,096,882

Group 31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Total RM'000
Risk grade			
Exceptionally Strong	163,415	–	163,415
Very Strong	13,392,334	–	13,392,334
Strong	432,646	–	432,646
Satisfactory	200,874	870,406	1,071,280
Moderate	50,311	75,674	125,985
Gross exposure	14,239,580	946,080	15,185,660
Less: Allowances for ECL	(11,872)	(21,830)	(33,702)
Net exposure	14,227,708	924,250	15,151,958

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Gross loans, advances and financing

Group 31 March 2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally strong	16,627	–	–	16,627
Very Strong	43,345,076	340,121	–	43,685,197
Strong	16,151,055	442,282	–	16,593,337
Satisfactory	20,759,751	1,848,617	–	22,608,368
Moderate	9,199,548	1,853,242	–	11,052,790
Marginal	2,087,242	2,301,362	–	4,388,604
Substandard	1,866,428	5,125,654	–	6,992,082
Unrated	28,972	–	–	28,972
Impaired	–	–	1,852,633	1,852,633
Gross exposure	93,454,699	11,911,278	1,852,633	107,218,610
Less: Allowances for ECL	(283,434)	(539,633)	(444,613)	(1,267,680)
Net exposure	93,171,265	11,371,645	1,408,020	105,950,930

Group 31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally strong	47,292	199	–	47,491
Very Strong	37,021,902	200,339	–	37,222,241
Strong	15,013,440	448,799	–	15,462,239
Satisfactory	17,145,646	2,602,901	–	19,748,547
Moderate	9,574,804	1,895,432	–	11,470,236
Marginal	2,085,923	2,297,247	–	4,383,170
Substandard	1,473,278	3,215,605	–	4,688,883
Unrated	6,660,367	535,209	–	7,195,576
Impaired	–	–	1,626,179	1,626,179
Gross exposure	89,022,652	11,195,731	1,626,179	101,844,562
Less: Allowances for ECL	(275,818)	(622,411)	(402,312)	(1,300,541)
Net exposure	88,746,834	10,573,320	1,223,867	100,544,021

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Other financial assets using simplified approach

Group 31 March 2020	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Risk grade			
Exceptionally Strong	546,918	–	546,918
Very Strong	923,716	–	923,716
Strong	168,150	–	168,150
Satisfactory	83,674	–	83,674
Moderate	14,932	–	14,932
Marginal	809	–	809
Substandard	14,350	–	14,350
Unrated	613,409	–	613,409
Impaired	–	6,658	6,658
Gross exposure	2,365,958	6,658	2,372,616
Less: Allowances for ECL	(1,650)	(6,501)	(8,151)
Net exposure	2,364,308	157	2,364,465

Group 31 March 2020	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Risk grade			
Exceptionally Strong	138,422	–	138,422
Very Strong	754,508	–	754,508
Strong	221,987	–	221,987
Satisfactory	60,380	–	60,380
Moderate	2,790	–	2,790
Marginal	1,024	–	1,024
Substandard	15,137	–	15,137
Unrated	510,889	1,247	512,136
Impaired	–	7,530	7,530
Gross exposure	1,705,137	8,777	1,713,914
Less: Allowances for ECL	(4)	(8,576)	(8,580)
Net exposure	1,705,133	201	1,705,334

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Other financial assets using simplified approach (cont'd.)

Company	Lifetime ECL not credit impaired	
	31 March 2020 RM'000	31 March 2019 RM'000
Risk grade		
Very Strong	255	1,670
Gross exposure	255	1,670
Less: Allowances for ECL	–	–
Net exposure	255	1,670

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Loans commitments and financial guarantee contracts

Group 31 March 2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally Strong	235,199	–	–	235,199
Very Strong	15,188,873	111,344	–	15,300,217
Strong	4,237,037	209,843	–	4,446,880
Satisfactory	7,659,524	540,057	–	8,199,581
Moderate	1,674,784	224,236	–	1,899,020
Marginal	314,690	536,812	–	851,502
Substandard	224,840	403,692	–	628,532
Unrated	2,650	1,450	–	4,100
Impaired	–	–	55,469	55,469
Gross exposure	29,537,597	2,027,434	55,469	31,620,500
Less: Allowances for ECL	(42,503)	(32,519)	(181)	(75,203)
Net exposure	29,495,094	1,994,915	55,288	31,545,297

Group 31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally Strong	1,367,383	4,024	–	1,371,407
Very Strong	12,386,910	29,400	–	12,416,310
Strong	6,158,938	51,591	–	6,210,529
Satisfactory	7,990,921	444,271	–	8,435,192
Moderate	2,578,069	361,586	–	2,939,655
Marginal	242,743	367,677	–	610,420
Substandard	228,605	269,812	–	498,417
Unrated	915,577	36,396	–	951,973
Impaired	–	–	92,466	92,466
Gross exposure	31,869,146	1,564,757	92,466	33,526,369
Less: Allowances for ECL	(51,703)	(34,141)	(10,905)	(96,749)
Net exposure	31,817,443	1,530,616	81,561	33,429,620

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Stage 1 Group 31 March 2020	Deposits and placements with banks and other financial institutions RM'000	Financial investments at amortised cost RM'000	Statutory deposits with Bank Negara Malaysia RM'000
Risk grade			
Very Strong	99,330	2,727,332	489,006
Strong	–	471,265	–
Satisfactory	–	1,614,040	–
Substandard	–	45,000	–
Unrated	–	90	–
Gross exposure	99,330	4,857,727	489,006
Less: Allowances for ECL	(485)	(4,914)	–
Net exposure	98,845	4,852,813	489,006

Stage 1 Group 31 March 2019	Deposits and placements with banks and other financial institutions RM'000	Financial investments at amortised cost RM'000	Statutory deposits with Bank Negara Malaysia RM'000
Risk grade			
Very Strong	15,241	3,032,686	3,155,541
Strong	182,993	166,418	–
Satisfactory	–	1,896,534	–
Moderate	–	55,117	–
Unrated	–	959	–
Gross exposure	198,234	5,151,714	3,155,541
Less: Allowances for ECL	(2,075)	(5,398)	–
Net exposure	196,159	5,146,316	3,155,541

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (cont'd.)

Maximum exposure to credit risk - financial instruments not subject to impairment

The table below shows the credit quality of financial assets measured at FVTPL:

Stage 1 Group 31 March 2020	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
Risk grade		
Exceptionally strong	2,397,525	32,058
Very Strong	9,067,263	1,611,355
Strong	149,917	207,902
Satisfactory	40,106	29,418
Moderate	–	193,967
Marginal	–	463
Substandard	–	260
Unrated	249,604	1,858
Gross exposure	11,904,415	2,077,281
Less: Allowances for ECL	–	–
Net exposure	11,904,415	2,077,281

Stage 1 Group 31 March 2019	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
Risk grade		
Exceptionally strong	799,335	28,004
Very Strong	17,054,590	451,427
Strong	652,878	244,958
Satisfactory	–	31,675
Moderate	–	4,350
Marginal	–	1,507
Substandard	–	2
Unrated	173,911	2,000
Gross exposure	18,680,714	763,923
Less: Allowances for ECL	–	–
Net exposure	18,680,714	763,923

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1d Estimated value of collateral for financial assets

The Group's policies regarding obtaining collateral have not significantly changed during the financial year and there has been no significant change in the overall quality of the collateral held by the Group since the previous financial year.

The following table summarises the financial effects of collateral received from loans, advances and financing:

Group	Gross exposure to credit risk 31 March 2020 RM'000	Gross exposure to credit risk 31 March 2019 RM'000	Financial effect of collateral 31 March 2020 RM'000	Financial effect of collateral 31 March 2019 RM'000	Unsecured portion of credit exposure 31 March 2020 RM'000	Unsecured portion of credit exposure 31 March 2019 RM'000
Gross loans, advances and financing						
Hire purchase	13,072,434	15,275,417	12,720,991	14,287,704	351,443	987,713
Mortgage	36,403,487	34,037,471	36,189,620	33,588,679	213,867	448,792
Credit card	2,599,569	2,514,371	43,621	39,370	2,555,948	2,475,001
Other loans and financing	7,413,504	5,275,489	4,784,427	2,839,705	2,629,077	2,435,784
Corporate loans, advances and financing	47,729,616	44,741,814	22,893,253	22,657,906	24,836,363	22,083,908
Term loans and bridging loans	22,491,503	19,340,905	12,944,163	13,182,120	9,547,340	6,158,785
Revolving credits	12,120,679	12,403,144	4,601,150	4,284,274	7,519,529	8,118,870
Overdrafts	3,579,602	3,892,297	2,150,435	2,363,934	1,429,167	1,528,363
Trade (include factoring)	9,537,832	9,105,468	3,197,505	2,827,578	6,340,327	6,277,890
Total	107,218,610	101,844,562	76,631,912	73,413,364	30,586,698	28,431,198

50.2.1e Collateral repossessed

	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	2,300	2,289
	2,450	2,439

The above assets are accounted for as foreclosed properties under other assets (Note 18). There were no new assets obtained for the financial year 2020 and 2019.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (cont'd.)

50.2.1f Collateral held for credit impaired financial assets

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group 31 March 2020	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
Credit-impaired financial assets				
Hire purchase	159,333	55,298	104,035	151,579
Mortgage	576,165	126,835	449,330	529,649
Credit card	51,740	27,304	24,436	572
Other loans and financing	138,547	29,486	109,061	66,107
Corporate loans, advances and financing				
Term loans and bridging loans	568,913	41,755	527,158	527,934
Revolving credits	138,758	63,478	75,280	94,833
Overdrafts	123,589	65,829	57,760	103,366
Trade	95,588	34,628	60,960	75,076
Total credit-impaired financial assets	1,852,633	444,613	1,408,020	1,549,116

Group 31 March 2019	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
Credit-impaired financial assets				
Hire purchase	194,799	67,521	127,278	176,783
Mortgage	442,959	99,199	343,760	408,444
Credit card	40,417	26,632	13,785	351
Other loans and financing	51,077	18,462	32,615	24,283
Corporate loans, advances and financing				
Term loans and bridging loans	678,321	120,588	557,733	643,213
Revolving credits	119,156	41,172	77,984	119,156
Overdrafts	60,438	19,151	41,287	49,390
Trade	33,495	9,587	23,908	24,338
Total credit-impaired financial assets	1,620,662	402,312	1,218,350	1,445,958

50.3 Liquidity Risk and Funding Management

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

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk and Funding Management (cont'd.)

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

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/Measurement	• Liquidity Coverage Ratio ("LCR") • Depositor Concentration Ratios • Other Detailed Controls
Control/Mitigation	• LCR Limits • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

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

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

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

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

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

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

In preparation for the implementation of BNM's Basel III Net Stable Funding Ratio ("NSFR") which will be effective 1 July 2020, the Group shall pursue strategies to ensure the availability of cost effective stable liquidity to meet the regulatory requirement.

50.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk and Funding Management (cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting*

Group 31 March 2020	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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	15,611,728	–	–	–	–	–	–	15,611,728
Deposits and placements with banks and other financial institutions	–	98,845	–	–	–	–	–	98,845
Derivative financial assets	131,782	205,570	205,836	253,964	842,378	437,751	–	2,077,281
Financial assets at fair value through profit or loss	2,078,331	2,109,565	2,277,406	2,381,293	2,190,978	1,250,391	257,893	12,545,857
Financial investments at fair value through other comprehensive income	917,799	1,517,245	1,636,609	1,790,842	8,160,715	5,031,827	667,864	19,722,901
Financial investments at amortised cost	30,019	–	18,790	537,666	1,409,017	2,857,321	–	4,852,813
Loans, advances and financing	24,287,137	56,803	420,587	1,317,110	17,083,596	62,785,697	–	105,950,930
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	489,006	–	489,006
Deferred tax assets	–	–	–	–	–	–	51,457	51,457
Investment in associates and joint ventures	–	–	–	–	–	–	699,275	699,275
Other assets	1,930,559	283,320	121,740	210,539	235,303	26,506	1,467	2,809,434
Reinsurance assets and other insurance receivables	68,924	74,261	80,374	89,045	136,925	8,377	–	457,906
Property and equipment	–	–	–	–	–	–	254,144	254,144
Intangible assets	–	–	–	–	–	–	3,261,506	3,261,506
Right-of-use assets	–	–	–	–	–	–	317,679	317,679
Assets held for sale	–	–	–	2,324	–	–	–	2,324
Total assets	45,056,279	4,345,609	4,761,342	6,582,783	30,058,912	72,886,876	5,511,285	169,203,086
Liabilities								
Deposits from customers	60,000,284	26,057,148	10,561,423	13,816,530	2,531,327	–	–	112,966,712
Investment accounts of customers	77,337	61,414	69,975	–	–	–	–	208,726
Deposits and placements of banks and other financial institutions	6,255,857	2,484,622	668,264	377,031	35,547	200,600	–	10,021,921
Securities sold under repurchase agreements	6,352,709	–	–	–	–	–	–	6,352,709
Recourse obligation on loans and financing sold to Cagamas Berhad	–	800,002	1,965,012	900,001	1,475,008	–	–	5,140,023
Derivative financial liabilities	118,817	116,560	180,687	234,046	901,840	408,153	–	1,960,103
Term funding	57,909	826,950	2,600	–	1,614,280	–	–	2,501,739
Debt capital	–	–	–	–	–	3,745,000	–	3,745,000
Redeemable cumulative convertible preference share	–	–	–	–	–	231,311	–	231,311
Deferred tax liabilities	–	–	–	–	–	–	69,720	69,720
Other liabilities	2,332,388	749,961	117,265	327,124	316,872	122,280	28	3,965,918
Insurance contract liabilities and other insurance payables	251,537	397,990	473,606	545,271	746,265	64,495	–	2,479,164
Total liabilities	75,446,838	31,494,647	14,038,832	16,200,003	7,621,139	4,771,839	69,748	149,643,046
Net gap	(30,390,559)	(27,149,038)	(9,277,490)	(9,617,220)	22,437,773	68,115,037	5,441,537	19,560,040

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk and Funding Management (cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting (cont'd.)*

Group 31 March 2019	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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	7,073,744	–	–	–	–	–	–	7,073,744
Deposits and placements with banks and other financial institutions	–	196,159	–	–	–	–	–	196,159
Derivative financial assets	54,122	59,015	26,468	28,317	268,836	327,165	–	763,923
Financial assets at fair value through profit or loss	5,489,395	2,943,858	3,157,077	1,814,531	2,680,678	2,595,175	684,881	19,365,595
Financial investments at fair value through other comprehensive income	979,433	319,542	859,468	3,149,322	7,331,853	2,546,042	524,213	15,709,873
Financial investments at amortised cost	19,988	99,355	–	96	1,847,568	3,179,309	–	5,146,316
Loans, advances and financing	22,729,305	700,554	885,718	1,088,363	18,149,664	56,990,417	–	100,544,021
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	3,155,541	–	3,155,541
Deferred tax assets	–	–	–	–	–	–	66,162	66,162
Investment in associates and joint ventures	–	–	–	–	–	–	710,091	710,091
Other assets	1,186,958	140,505	59,257	363,813	200,138	32,780	–	1,983,451
Reinsurance assets and other insurance receivables	66,891	77,073	86,193	100,246	181,429	13,715	–	525,547
Property and equipment	–	–	–	–	–	–	168,221	168,221
Intangible assets	–	–	–	–	–	–	3,379,727	3,379,727
Assets held for sale	–	–	–	5,029	–	–	–	5,029
Total assets	37,599,836	4,536,061	5,074,181	6,549,717	30,660,166	68,840,144	5,533,295	158,793,400
Liabilities								
Deposits from customers	47,719,525	20,437,206	17,150,397	18,760,401	2,848,460	–	–	106,915,989
Investment accounts of customers	234,673	84,288	34,490	–	–	–	–	353,451
Deposits and placements of banks and other financial institutions	5,416,706	1,472,538	334,089	343,536	18,850	102,000	–	7,687,719
Securities sold under repurchase agreements	2,598,712	2,740,710	–	–	–	–	–	5,339,422
Recourse obligation on loans and financing sold to Cagamas Berhad	183	200,371	1,432,797	1,200,000	1,825,002	–	–	4,658,353
Derivative financial liabilities	1,878	87,977	43,127	31,446	360,520	300,544	–	825,492
Term funding	40,432	4,550	1,662,783	1,000,000	926,762	227	–	3,634,754
Debt capital	–	–	–	–	–	4,230,000	–	4,230,000
Redeemable cumulative convertible preference share	–	–	–	–	–	224,229	–	224,229
Deferred tax liabilities	–	–	–	–	–	–	63,702	63,702
Other liabilities	1,690,088	501,562	252,579	899,746	94,703	25,968	11,942	3,476,588
Insurance contract liabilities and other insurance payables	258,721	406,326	469,526	557,009	934,627	67,040	–	2,693,249
Total liabilities	57,960,918	25,935,528	21,379,788	22,792,138	7,008,924	4,950,008	75,644	140,102,948
Net gap	(20,361,082)	(21,399,467)	(16,305,607)	(16,242,421)	23,651,242	63,890,136	5,457,651	18,690,452

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (cont'd.)

Company	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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
31 March 2020								
Assets								
Cash and short-term funds	322,262	–	–	–	–	–	–	322,262
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,078	1,078
Investment in subsidiaries and other investments	–	–	–	–	–	–	9,627,425	9,627,425
Other assets	255	–	–	1,316	–	–	–	1,571
Property and equipment	–	–	–	–	–	–	332	332
Total assets	322,517	–	–	1,316	–	–	9,628,835	9,952,668
Liabilities								
Other liabilities	14,137	–	–	32,837	–	–	–	46,974
Total liabilities	14,137	–	–	32,837	–	–	–	46,974
Net gap	308,380	–	–	(31,521)	–	–	9,628,835	9,905,694
31 March 2019								
Assets								
Cash and short-term funds	81,005	–	–	–	–	–	–	81,005
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,044	1,044
Investment in subsidiaries and other investments	–	–	–	–	–	–	9,640,313	9,640,313
Other assets	955	–	–	715	–	–	–	1,670
Property and equipment	–	–	–	–	–	–	676	676
Total assets	81,960	–	–	715	–	–	9,642,033	9,724,708
Liabilities								
Other liabilities	8,133	–	–	23,303	–	–	–	31,436
Total liabilities	8,133	–	–	23,303	–	–	–	31,436
Net gap	73,827	–	–	(22,588)	–	–	9,642,033	9,693,272

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (cont'd.)

50.3.1b Analysis of Liabilities By Remaining Contractual Maturities on undiscounted basis

Group	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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
31 March 2020								
Liabilities								
Deposits from customers	60,826,685	26,414,191	10,703,980	13,997,632	2,567,491	–	–	114,509,979
Investment accounts of customers	79,417	67,052	76,691	11,479	38,761	33,416	–	306,816
Deposits and placements of banks and other financial institutions	6,358,551	2,517,580	677,495	381,659	36,017	202,986	–	10,174,288
Securities sold under repurchase agreements	6,367,842	–	–	–	–	–	–	6,367,842
Recourse obligation on loans and financing sold to Cagamas Berhad	25,713	820,482	2,026,505	947,491	1,524,769	–	–	5,344,960
Derivative financial liabilities	969,100	148,774	409,253	191,146	444,875	51,228	–	2,214,376
Term funding	115,816	969,693	31,340	19,895	1,765,688	–	–	2,902,432
Debt capital	26,370	31,845	36,881	344,917	3,883,105	–	–	4,323,118
Redeemable cumulative convertible preference share	–	–	–	–	–	231,311	–	231,311
Other liabilities	2,306,574	216,605	95,434	282,850	317,235	106,039	28	3,324,765
Insurance contract liabilities and other insurance payables	255,943	405,061	482,328	558,379	772,245	67,133	–	2,541,089
Total undiscounted liabilities	77,332,011	31,591,283	14,539,907	16,735,448	11,350,186	692,113	28	152,240,976
Contingent liabilities	709,464	789,532	1,041,620	1,942,405	2,792,982	307,310	–	7,583,313
Commitments	7,338,247	1,283,699	1,502,762	2,990,297	1,032,346	11,898,941	–	26,046,292
Total commitments and guarantees	8,047,711	2,073,231	2,544,382	4,932,702	3,825,328	12,206,251	–	33,629,605
31 March 2019								
Liabilities								
Deposits from customers	49,060,563	21,006,952	17,640,083	19,289,772	2,925,648	1,175	–	109,924,193
Investment accounts of customers	235,541	85,382	35,209	–	–	–	–	356,132
Deposits and placements of banks and other financial institutions	5,653,217	1,613,400	343,461	353,414	19,400	104,996	–	8,087,888
Securities sold under repurchase agreements	2,611,242	2,758,990	–	–	–	–	–	5,370,232
Recourse obligation on loans and financing sold to Cagamas Berhad	26,039	254,597	1,464,133	1,272,337	1,926,966	–	–	4,944,072
Derivative financial liabilities	11,846	99,920	69,639	97,970	577,226	136,037	–	992,638
Term funding	93,029	36,134	1,774,830	1,089,653	1,115,124	227	–	4,108,997
Debt capital	26,094	31,839	542,031	95,127	4,323,017	–	–	5,018,108
Redeemable cumulative convertible preference share	–	–	–	–	–	224,229	–	224,229
Other liabilities	1,486,370	396,889	136,162	335,096	95,281	16,343	–	2,466,141
Insurance contract liabilities and other insurance payables	264,450	415,449	480,543	573,464	968,897	70,139	–	2,772,942
Total undiscounted liabilities	59,468,391	26,699,552	22,486,091	23,106,833	11,951,559	553,146	–	144,265,572
Contingent liabilities	1,006,083	590,769	1,159,144	2,123,954	3,689,339	413,789	–	8,983,078
Commitments	7,051,626	1,367,264	2,054,327	1,002,934	987,207	13,773,136	–	26,236,494
Total commitments and guarantees	8,057,709	1,958,033	3,213,471	3,126,888	4,676,546	14,186,925	–	35,219,572

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (cont'd.)

50.3.1b Analysis of Liabilities By Remaining Contractual Maturities on undiscounted basis (cont'd.)

Company	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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
31 March 2020								
Liabilities								
Other liabilities	14,137	–	–	32,837	–	–	–	46,974
Total undiscounted liabilities	14,137	–	–	32,837	–	–	–	46,974
31 March 2019								
Liabilities								
Other liabilities	8,133	–	–	23,303	–	–	–	31,436
Total undiscounted liabilities	8,133	–	–	23,303	–	–	–	31,436

50.4 Market Risk Management

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

Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.

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

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (cont'd.)

Traded Market Risk ("TMR") (cont'd.)

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

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

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

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

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

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

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

Non-Traded Market Risk ("NTMR")

NTMR refers to interest rate risk/rate of return risk in the banking book including those arising from balance sheet management activities as covered under the risk appetite.

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

The interest rate risk/rate of return risk in the banking book ("IRR/RORBB") risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/Measurement	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 Limits • EaR Limits
Monitoring/Review	• Monitor limits • Periodical review and reporting

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (cont'd.)

Non-Traded Market Risk ("NTMR") (cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

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

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

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

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

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

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

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

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

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

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (cont'd.)

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remaining constant. There is no impact to the Company for interest rate risk/rate of return risk.

	31 March 2020 IRR/ROR		31 March 2019 IRR/ ROR	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Group				
Impact on profit before taxation	(143,813)	151,914	(167,881)	178,661
Non-traded market risk				
Group				
Impact on profit before taxation	721,846	(712,078)	659,165	(659,105)
Impact on equity	(540,534)	582,047	(347,433)	369,624

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from being exposed to excessive foreign exchange risk.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in exchange rates with all other variables remaining constant. There is no impact to the Company for foreign exchange risk.

	31 March 2020 Currency rate		31 March 2019 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation				
Group				
USD	(3,953)	3,953	(43,450)	43,450
SGD	6,213	(6,213)	11,490	(11,490)
EUR	1,242	(1,242)	735	(735)
JPY	(665)	665	(897)	897
GBP	412	(412)	253	(253)
Others	(1,736)	1,736	938	(938)
Impact on equity				
Group				
USD	30,342	(30,342)	27,975	(27,975)
EUR	48	(48)	53	(53)

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (cont'd.)

Market Risk Sensitivity (cont'd.)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonable possible change in equity prices with all other variables remaining constant. There is no impact to the Company for equity price risk.

	31 March 2020 Equity price		31 March 2019 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation	8,907	(8,907)	3,397	(3,397)

50.5 Operational Risk Management

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Controls Testing
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence. • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk. (Please refer to Section 50.9 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

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

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

50. RISK MANAGEMENT (CONT'D.)

50.5 Operational Risk Management (cont'd.)

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

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC and Board.

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

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

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.

- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.

- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

- The Key Control Testing ("KCT") is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.

- Periodic validation of the RCSA, KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.

- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMC and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

50. RISK MANAGEMENT (CONT'D.)

50.5 Operational Risk Management (cont'd.)

50.5.1 Business Continuity Management

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

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/Measurement	• Business Impact Analysis • Threat Assessment
Control/Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity plan
Monitoring/Review	• BCM plan testing and exercise • Review of BCM Plan • Plan maintenance

The BCM function is an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and the establishing of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of the Group's stakeholders by protecting the organisation's franchise and reputation.

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

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

50.6 Cyber Risk Management

Cyber threat remained as the top for the financial industry, driven by the constantly evolving nature and sophistication of cyber threats and attack vectors. The Group recognises that cyber security 'is a journey, not a destination', and the resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information. To mitigate the risk, the Group introduced a cyber resilience framework in FY2020 to facilitate the Group's ability to anticipate, withstand, contain and/or promptly recover from cyber-attacks and events that disrupt usual business operations and/or services. The Group continues to enhance the cyber security controls framework, as well as continues ongoing initiatives to educate the employees and customers about cyber security and what they can do to protect data. In the financial year ended 31 March 2020, the Group broadened its technology risk management capabilities by setting up teams that have oversight over infrastructure security risk, application security risk and third party security risk.

50.7 Legal Risk

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

Legal risk is overseen by Group Management Risk Committee ("GMRC")/GMC, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is appropriately managed.

50.8 Regulatory Compliance Risk

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

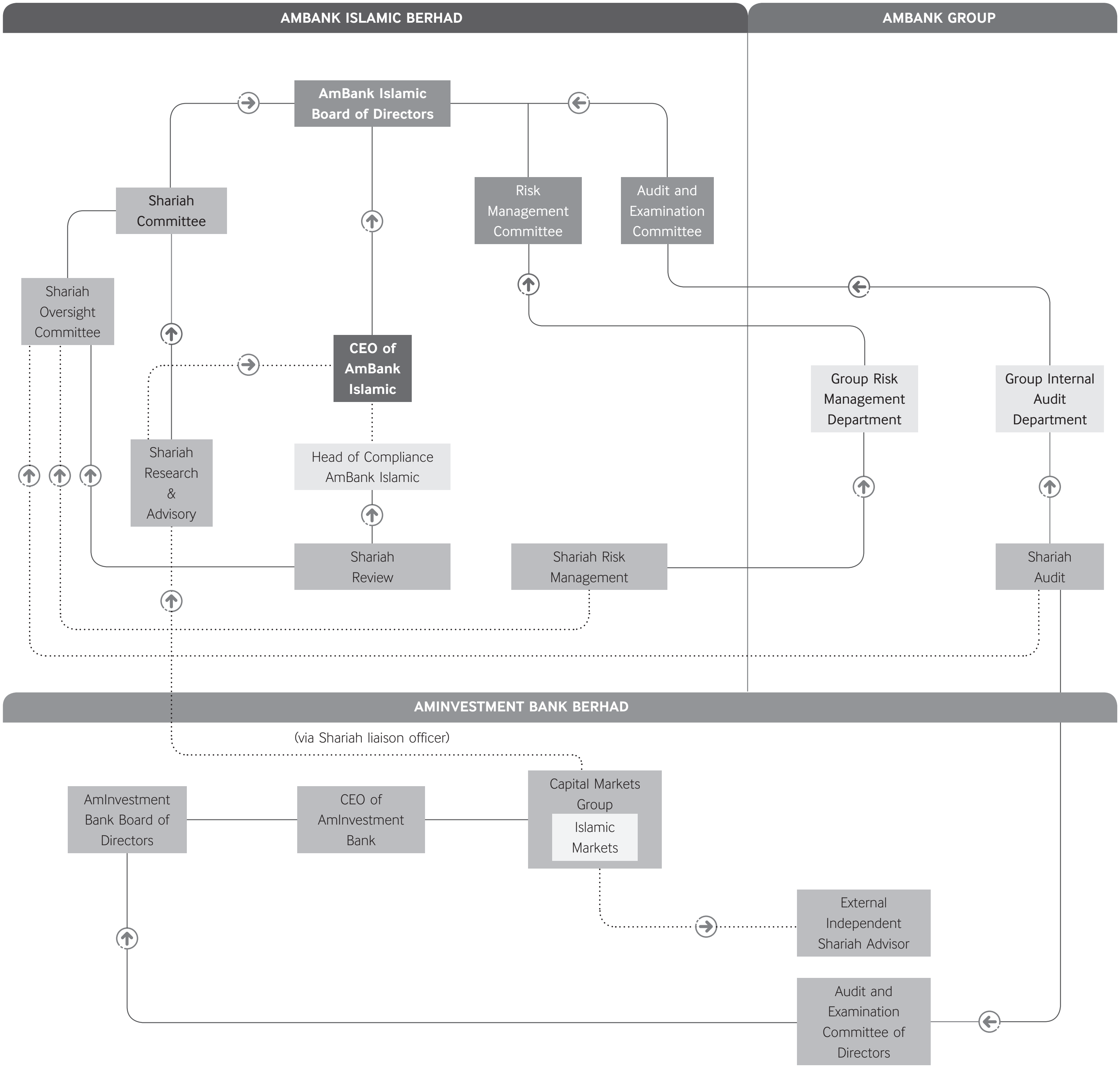
The Group believes in and embraces a stronger compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board of Directors and Senior Management lead by example.

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

50. RISK MANAGEMENT (CONT'D.)

50.9 Shariah Risk Management Control

Shariah Governance Structure



50. RISK MANAGEMENT (CONT'D.)

50.9 Shariah Risk Management Control (cont'd.)

AmBank Islamic has established its Shariah governance structure in accordance with the requirements of the Islamic Financial Services Act ("IFSA") and BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Research & Advisory, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group's platform of Group Internal Audit Department for Shariah Audit function.

The Group adopts a leverage model whereby, AmInvestment Bank through its Islamic Window i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the AEC, RMC and the Shariah Committee.

Audit and Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department. The updates on Shariah Review are also presented to the AEC.

Risk Management Committee

RMC is a Board committee responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities as well as on Value-Based Intermediation ("VBI") initiatives.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on banking operations from Shariah perspective. In that regard, the Shariah Oversight Committee is responsible to oversee on Shariah aspects, the functions of Shariah Review, Shariah Risk Management, and Shariah Audit. The Shariah Oversight Committee also provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Management/Chief Executive Officer

The Management/Chief Executive Officer ("CEO") is responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management/CEO is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Research and Advisory

The Shariah Research and Advisory Department is accountable to the Shariah Committee and is responsible for providing day-to-day Shariah advisory, including Shariah legal aspects, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

50. RISK MANAGEMENT (CONT'D.)

50.9 Shariah Risk Management Control (cont'd.)

Shariah Risk Management

The Shariah Risk Management ("SRM") section, under Group Risk Management Department, is accountable to the RMC. The SRM is a function to systematically identify, measure, monitor and control of Shariah non-compliance risks to mitigate any possible non-compliance events.

The management of Shariah risk is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st – The Business Units and Functional Lines; 2nd – Shariah Risk Management, Shariah Review, Shariah Research and Advisory; 3rd – Shariah Audit.

Shariah Review

The Shariah Review Section is accountable to the Shariah Oversight Committee. The objective of the Shariah review function is to provide reasonable self-assurance for AmBank Islamic in its daily activities and operations thus to add value and improve the degree of Shariah awareness and compliance.

Shariah Audit

The Shariah Audit Section is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking business and operations. The Shariah audit covers all activities particularly the operational components of AmBank Islamic (including functions outsourced to AmBank or AmInvestment Bank) that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

Shariah Liaison Officer, IM

As per the leveraging model, AmInvestment Bank via IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Research & Advisory, in escalating Shariah matters/ issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant lines of business ("LOBs") under the Group with regards to Islamic capital market products and services.

(i) Shariah non-compliance incidents and income

For the financial year ended 31 March 2020, there were four (4) Shariah non-compliant ("SNC") incidents involving SNC income of approximately RM50,000.00 relating to the compounding of Late Payment Charges ("LPC") on excess amount of Cash Line Facility-i, extending Islamic financing facility to a customer that falls under red area for Islamic financing, extension of Cash Line Facility-i accounts without aqad and charging excess LPC in auction sale transaction. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. The Group has implemented measures such as system enhancement, improving controls, process and manual, and will conduct training to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2019, there were no SNC incidents.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7 *Financial Instruments: Disclosures*, which requires the fair value information to be disclosed.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values)

31 March 2020	Group	
	Carrying Amount RM'000	Fair Value RM'000
Financial Assets		
Financial investments at amortised cost	4,852,813	5,056,831
Loans, advances and financing[1]	13,420,154	13,570,596
	18,272,967	18,627,427
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	5,140,023	5,216,670
Term funding	2,501,739	2,530,435
Debt capital	3,745,000	3,869,632
	11,386,762	11,616,737

31 March 2019	Group	
	Carrying Amount RM'000	Fair Value RM'000
Financial Assets		
Financial investments at amortised cost	5,146,316	5,228,269
Loans, advances and financing[1]	15,276,622	15,617,778
	20,422,938	20,846,047
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	4,658,353	4,713,536
Term funding	3,634,754	3,656,482
Debt capital	4,230,000	4,297,956
	12,523,107	12,667,974

[1] *excluding loans, advances and financing of RM92,530.8 million (2019: RM85,267.4 million) where the carrying amounts are reasonable approximation of their fair values.*

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed

Group 31 March 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Derivative financial assets	–	2,077,281	–	2,077,281
Financial assets at fair value through profit or loss				
– Money market securities	–	8,625,737	–	8,625,737
– Shares	411,250	–	2,766	414,016
– Unit trusts	225,270	2,156	–	227,426
– Quoted corporate bonds and sukuk	–	37,500	–	37,500
– Unquoted corporate bonds and sukuk	–	3,241,178	–	3,241,178
Financial investments at fair value through other comprehensive income				
– Money market securities	–	8,485,170	–	8,485,170
– Shares	–	–	593,550	593,550
– Unquoted corporate bonds and sukuk	–	10,644,181	–	10,644,181
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	5,056,741	90	5,056,831
Loans, advances and financing	–	13,570,596	–	13,570,596
	636,520	51,740,540	596,406	52,973,466
Financial liabilities measured at fair value				
Derivative financial liabilities	10,790	1,949,313	–	1,960,103
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	5,216,670	–	5,216,670
Term funding	–	2,530,435	–	2,530,435
Debt capital	–	3,869,632	–	3,869,632
	10,790	13,566,050	–	13,576,840

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed (cont'd.)

Group 31 March 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Derivative financial assets	655	763,268	–	763,923
Financial assets at fair value through profit or loss				
– Money market securities	–	14,445,321	–	14,445,321
– Shares	487,692	–	2,813	490,505
– Unit trusts	33,563	160,813	–	194,376
– Quoted corporate bonds and sukuk	–	37,937	–	37,937
– Unquoted corporate bonds and sukuk	–	4,197,456	–	4,197,456
Financial investments at fair value through other comprehensive income				
– Money market securities	–	5,917,665	–	5,917,665
– Shares	–	–	524,213	524,213
– Unquoted corporate bonds and sukuk	–	9,267,995	–	9,267,995
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	5,227,214	1,055	5,228,269
Loans, advances and financing	–	15,617,778	–	15,617,778
	521,910	55,635,447	528,081	56,685,438
Financial liabilities measured at fair value				
Derivative financial liabilities	1,300	824,192	–	825,492
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	4,713,536	–	4,713,536
Term funding	–	3,656,482	–	3,656,482
Debt capital	–	4,297,956	–	4,297,956
	1,300	13,492,166	–	13,493,466

Company 31 March 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,078	–	1,078

Company 31 March 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Unit trusts	–	1,044	–	1,044

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets and financial liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Loans, advances and financing

The fair value of variable rate loans, advances and financing are estimated to approximate their carrying values. For fixed rate loans, advances and financing, the fair values are estimated based on expected future cash flows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk. For impaired loans, advances and financing, the fair values are deemed to approximate the carrying value (net of impairment losses).

(d) Term funding and debt capital

The Group uses observable mid prices to estimate the fair values and where mid prices are not available, the fair values are estimated by discounting the expected future cash flows using market indicative rates of instruments with similar risk profile.

(e) Recourse obligation on loans and financing sold to Cagamas Berhad

The fair value for Recourse obligation on loans and financing sold to Cagamas Berhad is determined based on the discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or the Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data, as well as financial information of the counterparties. Unquoted equity investmenets at FVOCI are revalued using adjusted net assets method.

About 1.7% (2019: 1.5%) of the Group's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

There is no transfer between Level 1 and Level 2 during the current and previous financial year for the Group and the Company.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Movements in Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting year. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value for the financial year.

Group	Financial investments at FVOCI RM'000	Financial assets at FVTPL RM'000	Total RM'000
31 March 2020			
Balance at beginning of the financial year	524,213	2,813	527,026
Total gains recognised in other comprehensive income	69,337	–	69,337
Loss on revaluation taken up in statements of profit or loss	–	(47)	(47)
Balance at end of the financial year	593,550	2,766	596,316
31 March 2019			
Balance at beginning of the financial year	523,947	2,785	526,732
Addition during the financial year	288	28	316
Exchange fluctuation taken up in statements of profit or loss	(22)	–	(22)
Balance at end of the financial year	524,213	2,813	527,026

There were no transfers between Level 2 and Level 3 during the current financial year and previous financial year for the Group.

Total gains or losses included in the statements of profit or loss and statements of comprehensive income for financial instruments held at the end of the reporting date:

Group	31 March 2020 RM'000	31 March 2019 RM'000
Financial investments at FVOCI:		
Total gains/(losses) included in:		
– investment and trading income in statements of profit or loss	–	(22)
– fair value reserve in statements of comprehensive income	69,337	3
	69,337	(19)
Financial assets at FVTPL:		
Total losses included in:		
– investment and trading income in statements of profit or loss	(47)	–

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

52. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision-Maker in order to allocate resources to segment and to assess its performance. The Group comprises the following main business segments:

(a) Retail Banking

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

(b) Business Banking

Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management, and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans, and Project Financing.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury & Markets.

(i) Corporate Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients;
(ii) Group Treasury & Markets provides full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

(d) Investment Banking

Investment Banking offers investment banking solutions and services, encompassing capital markets (primary) activities, broking, private banking services, corporate advisory and fund raising services (equity and debt capital).

(e) Fund Management

Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

(f) Insurance

Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and takaful products namely wealth protection/savings, health and medical protection and family takaful solutions provided through our joint venture operations.

(g) Group Funding and others

Group Funding and others comprise activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

Measurements of segment performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation under Group Funding and Others.

Operating revenue

Operating revenue of the Group comprises all types of revenue derived from the business segments but after elimination of related companies' transactions.

Major customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial year.

Notes:
(i) The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.
(ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
(iii) The comparatives have been restated with current business realignment.

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group For the financial year ended 31 March 2020	Retail banking RM'000	Business banking RM'000	← Wholesale banking → Corporate banking RM'000	← Wholesale banking → Group Treasury & Markets RM'000	Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
External revenue	3,275,523	705,023	1,911,350	1,541,785	229,276	112,998	1,608,540	(59,928)	9,324,567
Revenue from other segments	(358,915)	(176,091)	(915,220)	736,213	(21,298)	–	–	735,311	–
Total operating revenue	2,916,608	528,932	996,130	2,277,998	207,978	112,998	1,608,540	675,383	9,324,567
Net interest income	1,222,905	277,489	645,830	203,779	39,123	1,065	130,757	252,976	2,773,924
Other income	242,395	88,849	159,444	227,972	153,461	111,715	463,322	9,214	1,456,372
Share in results of associates and joint ventures	963	–	–	–	–	–	(9,878)	5,775	(3,140)
Net income	1,466,263	366,338	805,274	431,751	192,584	112,780	584,201	267,965	4,227,156
Other operating expenses	(864,873)	(145,461)	(225,971)	(76,902)	(119,575)	(67,099)	(338,069)	(270,241)	(2,108,191)
of which:									
Depreciation of property and equipment	(19,922)	(734)	(1,383)	(106)	(780)	(271)	(9,449)	(30,221)	(62,866)
Depreciation of right-of-use assets	–	–	–	–	(279)	–	(15,047)	(65,884)	(81,210)
Amortisation of intangible assets	(20,738)	(78)	(6,104)	(1,564)	(704)	(173)	(18,884)	(60,663)	(108,908)
Profit/(loss) before impairment losses	601,390	220,877	579,303	354,849	73,009	45,681	246,132	(2,276)	2,118,965
(Allowance)/Writeback of allowance for loans, advances and financing	(194,079)	(64,089)	68,996	–	6,427	–	–	(139,886)	(322,631)
(Allowance)/Writeback of allowance for impairment of other assets	(20)	–	(40,753)	7,222	(591)	(125)	8,602	(10,953)	(36,618)
Provision for commitments and contingencies – writeback/(charge)	7,012	7,064	24,665	–	–	–	–	(16,474)	22,267
Other recoveries/(write-offs), net	31	–	73	–	34	(5)	(4,696)	5,436	873
Profit/(loss) before taxation and zakat	414,334	163,852	632,284	362,071	78,879	45,551	250,038	(164,153)	1,782,856
Taxation and zakat	(99,171)	(38,214)	(151,622)	(70,755)	(17,398)	(8,737)	(31,810)	87,684	(330,023)
Profit/(loss) for the financial year	315,163	125,638	480,662	291,316	61,481	36,814	218,228	(76,469)	1,452,833
Other information									
Total segment assets	59,094,425	11,133,363	37,203,662	51,074,177	2,222,739	107,207	5,330,724	3,036,789	169,203,086
Total segment liabilities	46,377,498	7,314,302	13,590,668	67,542,288	1,369,855	23,804	3,345,967	10,078,664	149,643,046
Cost to income ratio	59.0%	39.7%	28.1%	17.8%	62.1%	59.5%	57.9%	100.8%	49.9%
Gross loans, advances and financing	58,892,352	11,247,673	35,596,265	–	1,582,737	–	772	(101,189)	107,218,610
Net loans, advances and financing	58,109,154	11,125,236	35,382,588	–	1,577,913	–	702	(244,663)	105,950,930
Impaired loans, advances and financing	923,980	282,650	644,200	–	1,803	–	–	–	1,852,633
Total deposits	45,695,029	7,184,747	13,273,262	57,174,708	832,879	–	–	(1,171,992)	122,988,633
Additions to:									
Property and equipment	20,569	269	590	411	1,757	94	3,040	31,706	58,436
Intangible assets	19,044	34	1,501	8,896	829	219	9,494	47,341	87,358

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group For the financial year ended 31 March 2019 (Restated)	Retail banking RM'000	Business banking RM'000	← Wholesale banking → Corporate banking RM'000	Group Treasury & Markets RM'000	Investment banking RM'000	Fund manage-ment RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
External revenue	3,282,963	610,173	2,020,450	1,354,916	187,766	100,784	1,556,632	6,173	9,119,857
Revenue from other segments	(152,062)	(150,068)	(1,021,455)	671,069	(30,101)	–	–	682,617	–
Total operating revenue	3,130,901	460,105	998,995	2,025,985	157,665	100,784	1,556,632	688,790	9,119,857
Net interest income	1,189,868	244,119	658,983	107,881	46,695	1,038	133,167	198,583	2,580,334
Other income	257,129	78,873	179,224	130,158	95,229	99,485	456,186	25,355	1,321,639
Share in results of associates and joint ventures	2,167	–	–	–	–	–	12,324	5,936	20,427
Net income	1,449,164	322,992	838,207	238,039	141,924	100,523	601,677	229,874	3,922,400
Other operating expenses	(840,869)	(127,340)	(212,129)	(70,709)	(109,671)	(64,167)	(349,113)	(356,874)	(2,130,872)
of which:									
Depreciation of property and equipment	(20,932)	(597)	(810)	(328)	(969)	(331)	(11,113)	(15,632)	(50,712)
Amortisation of intangible assets	(19,838)	(54)	(3,480)	(2,334)	(705)	(219)	(22,911)	(68,853)	(118,394)
Profit/(Loss) before impairment losses	608,295	195,652	626,078	167,330	32,253	36,356	252,564	(127,000)	1,791,528
Writeback of allowance/(Allowance) for loans, advances and financing	124,763	(33,240)	227,345	–	6,997	–	–	(24,562)	301,303
Writeback of allowance/(Allowance) for impairment of other assets	1,137	4	(12,187)	2,085	16	(141)	4,961	(4,931)	(9,056)
Provision for commitments and contingencies – writeback/(charge)	13,030	2,524	1,380	–	–	–	–	(7,645)	9,289
Other recoveries/(write-offs), net	30	–	5,747	–	11	–	(3,668)	190	2,310
Profit/(loss) before taxation and zakat	747,255	164,940	848,363	169,415	39,277	36,215	253,857	(163,948)	2,095,374
Taxation and zakat	(178,784)	(38,935)	(200,701)	(34,196)	(7,890)	(6,669)	(43,529)	18,399	(492,305)
Profit/(loss) for the financial year	568,471	126,005	647,662	135,219	31,387	29,546	210,328	(145,549)	1,603,069
Other information									
Total segment assets	57,145,836	9,895,328	35,105,104	43,915,079	2,367,085	92,631	5,563,515	4,708,822	158,793,400
Total segment liabilities	52,563,296	5,949,809	11,814,715	54,970,735	1,205,996	19,672	3,515,603	10,063,122	140,102,948
Cost to income ratio	58.0%	39.4%	25.3%	29.7%	77.3%	63.8%	58.0%	155.2%	54.3%
Gross loans, advances and financing	56,864,668	9,964,004	33,518,564	–	1,591,783	–	974	(95,431)	101,844,562
Net loans, advances and financing	56,085,085	9,887,273	33,134,591	–	1,590,112	–	904	(153,944)	100,544,021
Impaired loans, advances and financing	727,585	216,877	674,532	–	1,668	–	–	–	1,620,662
Total deposits	51,640,507	5,832,393	11,538,263	45,590,043	743,811	–	–	(741,309)	114,603,708
Additions to:									
Property and equipment	9,882	1,363	1,891	220	436	53	2,831	15,050	31,726
Intangible assets	15,582	119	19,385	579	426	83	13,004	42,659	91,837

53. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	General insurance fund		Shareholders' funds and Others		Total*	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
ASSETS						
Cash and short-term funds	176,935	245,368	107,419	70,496	284,354	315,865
Deposits and placements with banks and other financial institutions	19,766	15,241	–	–	19,766	15,241
Financial assets at fair value through profit or loss	2,311,801	2,405,241	4,522,749	4,547,707	3,468,693	3,602,272
Loans and advances	702	904	–	–	702	904
Deferred tax assets	18,211	25,778	–	–	18,211	25,778
Investment in a subsidiary	–	–	1,808,733	1,908,733	–	–
Other assets	1,013,413	791,058	64,616	63,436	135,757	134,223
Reinsurance assets and other insurance receivables	457,906	525,547	–	–	457,906	525,547
Property and equipment	16,019	25,535	(59)	978	15,960	26,513
Right-of-use assets	46,468	–	–	–	46,468	–
Intangible assets	49,873	55,180	62,829	66,867	891,628	900,973
Assets held for sale	1,562	5,029	762	–	2,324	5,029
TOTAL ASSETS	4,112,656	4,094,881	6,567,049	6,658,217	5,341,769	5,552,345
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	–	–	472,064	457,609	472,064	457,609
Deferred tax liabilities	–	–	64,275	70,187	64,275	70,186
Other liabilities	322,424	277,646	949,885	736,742	330,477	294,558
Insurance contract liabilities and other insurance payables	2,479,164	2,693,249	–	–	2,479,164	2,693,249
Total Liabilities	2,801,588	2,970,895	1,486,224	1,264,538	3,345,980	3,515,602
Share capital**	–	–	5,680,036	5,795,760	1,599,148	1,599,148
Reserves	1,311,068	1,123,986	(599,211)	(402,081)	396,641	437,595
Equity attributable to equity holders of the Company	1,311,068	1,123,986	5,080,825	5,393,679	1,995,789	2,036,743
TOTAL LIABILITIES AND EQUITY	4,112,656	4,094,881	6,567,049	6,658,217	5,341,769	5,552,345

* after elimination on consolidation

** Comprising:	Note		
Ordinary share capital		1,130,000	1,230,000
Preference share capital			
Transfer from retained earnings arising from redemption of	16(3)(i) and	169,148	169,148
preference shares	16(4)(i)	300,000	200,000
		1,599,148	1,599,148

Note: Shareholders' funds and Others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

53. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	General insurance fund		Shareholders' funds and Others		Total*	
Group	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Interest income	3,765	3,305	147,447	149,695	151,212	153,000
Interest expense	–	–	(20,455)	(19,833)	(20,455)	(19,833)
Net interest income	3,765	3,305	126,992	129,862	130,757	133,167
Income from insurance business	1,428,732	1,374,782	–	–	1,428,732	1,374,782
Insurance claims and commissions**	(1,003,883)	(935,122)	–	–	(1,003,883)	(935,122)
Net income from insurance business	424,849	439,660	–	–	424,849	439,660
Other operating income	128,062	116,799	285,293	269,836	38,473	16,526
Net income	556,676	559,764	412,285	399,698	594,079	589,353
Other operating expenses	(327,530)	(337,910)	(10,539)	(11,203)	(338,069)	(349,113)
Operating profit	229,146	221,854	401,746	388,495	256,010	240,240
Writeback of allowance for impairment:						
– Reinsurance assets and insurance receivables	8,602	4,961	–	–	8,602	4,961
Other write-offs, net	(4,696)	(3,668)	–	–	(4,696)	(3,668)
Profit before taxation	233,052	223,147	401,746	388,495	259,916	241,533
Taxation	(46,911)	(38,733)	15,101	(4,796)	(31,810)	(43,529)
Profit for the financial year	186,141	184,414	416,847	383,699	228,106	198,004
Attributable to:						
Equity holders of the Company					228,106	198,004
Non-controlling interests					–	–
Profit for the financial year					228,106	198,004

* *after elimination on consolidation*

** *Includes commission paid/payable to related companies of the Group of RM15,859,000 (2019: RM12,861,000)*

53. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group 31 March 2020 RM'000	Group 31 March 2019 RM'000
Income from general insurance		1,428,732	1,374,782
	(a)	1,428,732	1,374,782
Insurance claims and commissions			
Insurance commissions		137,753	130,678
Insurance claims	(b)	850,271	791,583
		988,024	922,261
		440,708	452,521
(a) Income from general insurance business			
Gross Premium			
– insurance contract		1,575,869	1,526,545
– change in unearned premium provision		(8,460)	(22,245)
		1,567,409	1,504,300
Premium ceded			
– insurance contract		(140,045)	(130,782)
– change in unearned premium provision		1,368	1,264
		(138,677)	(129,518)
		1,428,732	1,374,782
(b) Insurance claims			
– gross benefits and claims paid		977,341	934,564
– claims ceded to reinsurers		(101,854)	(76,714)
– change in contract liabilities–insurance contract		(98,452)	(77,667)
– change in contract liabilities ceded to reinsurers–insurance contract		73,236	11,400
		850,271	791,583

53. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE RECEIVABLES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Amount owing by reinsurance and cedants	6,025	11,342
Due premiums including agents/brokers and co-insurers balances	83,266	82,329
Accumulated impairment losses	(24,755)	(32,978)
	64,536	60,693
The movement in accumulated impairment losses is as follows:		
Balance at beginning of the financial year	32,978	33,064
Writeback for the financial year	(8,223)	(86)
Balance at end of the financial year	24,755	32,978

(V) INSURANCE PAYABLES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Amount due to agents and intermediaries	17,068	29,184
Amount due to reinsurers and cedants	25,037	137,020
	42,105	166,204

53. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

Group 31 March 2020	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		910,156	(202,793)	707,363
Provision for incurred but not reported claims ("IBNR")		682,528	(110,139)	572,389
Provision for risk margin for adverse deviations ("PRAD")		134,655	(28,008)	106,647
Provision for outstanding claims	(I)	1,727,339	(340,940)	1,386,399
Less: Accumulated impairment loss on reinsurance assets	(III)	–	2,260	2,260
		1,727,339	(338,680)	1,388,659
Provision for unearned premiums	(II)	709,720	(54,690)	655,030
		2,437,059	(393,370)	2,043,689
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,825,785	(414,171)	1,411,614
Claims incurred in the current accident year		1,243,368	(180,489)	1,062,879
Movements in claims incurred in prior accident years		(361,052)	151,870	(209,182)
Claims incurred during the year (treaty inwards claims)		(3,427)	–	(3,427)
Claims paid during the financial year		(977,335)	101,850	(875,485)
Balance at end of the financial year		1,727,339	(340,940)	1,386,399
(II) Provision for unearned premiums				
Balance at beginning of the financial year		701,260	(53,322)	647,938
Premiums written in the financial year		1,575,869	(140,045)	1,435,824
Premiums earned during the financial year		(1,567,409)	138,677	(1,428,732)
Balance at end of the financial year		709,720	(54,690)	655,030
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				2,639
Writeback for the financial year				(379)
Balance at end of the financial year				2,260

53. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (CONT'D.)

Group 31 March 2019	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		951,630	(266,467)	685,163
Provision for incurred but not reported claims ("IBNR")		729,400	(115,622)	613,778
Provision for risk margin for adverse deviations ("PRAD")		144,755	(32,082)	112,673
Provision for outstanding claims	(I)	1,825,785	(414,171)	1,411,614
Less: Accumulated impairment loss on reinsurance assets	(III)	–	2,639	2,639
		1,825,785	(411,532)	1,414,253
Provision for unearned premiums	(II)	701,260	(53,322)	647,938
		2,527,045	(464,854)	2,062,191
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,903,458	(425,577)	1,477,881
Claims incurred in the current accident year		1,150,178	(146,618)	1,003,560
Movements in claims incurred in prior accident years		(296,020)	81,309	(214,711)
Claims incurred during the year (treaty inwards claims)		2,733	–	2,733
Claims paid during the financial year		(934,564)	76,715	(857,849)
Balance at end of the financial year		1,825,785	(414,171)	1,411,614
(II) Provision for unearned premiums				
Balance at beginning of the financial year		679,016	(52,058)	626,958
Premiums written in the financial year		1,526,544	(130,782)	1,395,762
Premiums earned during the financial year		(1,504,300)	129,518	(1,374,782)
Balance at end of the financial year		701,260	(53,322)	647,938
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				7, 514
Writeback for the financial year				(4,875)
Balance at end of the financial year				2,639

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In setting provisions for claims, the insurance subsidiary gives consideration to the probability and magnitude of future claim experience being more adverse than assumed and exercises a degree of caution in setting the reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin to provide necessary confidence in adequacy is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the insurance subsidiary believes that the estimates of total claims outstanding as of the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Sub total RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178	1,243,368			
One year later	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565	1,096,000				
Two years later	1,061,512	1,087,252	998,910	1,007,382	1,098,274	1,021,983					
Three years later	1,106,863	1,049,006	933,819	916,885	1,032,314						
Four years later	1,052,914	1,009,430	901,251	875,653							
Five years later	1,028,657	962,661	883,481								
Six years later	1,027,931	950,541									
Seven years later	1,030,948										
Current estimate of claims accumulative incurred	1,030,948	950,541	883,481	875,653	1,032,314	1,021,983	1,096,000	1,243,368			
At the end of accident year	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)	(454,994)			
One year later	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)	(689,370)				
Two years later	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)	(812,808)					
Three years later	(941,110)	(874,843)	(813,229)	(809,250)	(891,723)						
Four years later	(971,793)	(901,976)	(834,470)	(825,028)							
Five years later	(984,310)	(924,531)	(843,008)								
Six years later	(988,726)	(929,868)									
Seven years later	(991,871)										
Cumulative payments to-date	(991,871)	(929,868)	(843,008)	(825,028)	(891,723)	(812,808)	(689,370)	(454,994)			
Gross general insurance claims liabilities (direct and facultative)	39,077	20,673	40,473	50,625	140,591	209,175	406,630	788,374	1,695,618	31,721	1,727,339

** Malaysian Motor Insurance Pool*

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (cont'd.)

Net general insurance claims liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,559	1,062,879			
One year later	896,635	959,376	951,089	959,398	1,058,099	977,750	973,556				
Two years later	860,834	982,953	907,365	924,949	1,008,222	931,761					
Three years later	885,185	935,316	844,427	850,963	947,314						
Four years later	849,500	884,072	809,285	809,037							
Five years later	831,688	871,175	797,601								
Six years later	824,031	862,818									
Seven years later	828,077										
Current estimate of accumulative claims incurred	828,077	862,818	797,601	809,037	947,314	931,761	973,556	1,062,879			
At the end of accident year	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)	(443,656)			
One year later	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)	(637,658)				
Two years later	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)	(747,218)					
Three years later	(773,550)	(809,793)	(746,892)	(751,734)	(823,773)						
Four years later	(797,507)	(833,687)	(765,158)	(769,553)							
Five years later	(808,834)	(844,590)	(773,178)								
Six years later	(811,696)	(849,069)									
Seven years later	(814,260)										
Cumulative payments to-date	(814,260)	(849,069)	(773,178)	(769,553)	(823,773)	(747,218)	(637,658)	(443,656)			
Net general insurance claims liabilities (direct and facultative)	13,817	13,749	24,423	39,484	123,541	184,543	335,898	619,223	1,354,678	31,721	1,386,399

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (cont'd.)

Gross general insurance contract liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,172			
One year later	1,035,887	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565				
Two years later	1,018,768	1,061,512	1,087,252	998,910	1,007,382	1,098,274					
Three years later	1,006,413	1,106,863	1,049,006	933,819	916,885						
Four years later	1,011,446	1,052,914	1,009,430	901,251							
Five years later	977,616	1,028,657	962,661								
Six years later	964,810	1,027,931									
Seven years later	1,100,149										
Current estimate of accumulative claims incurred	1,100,149	1,027,931	962,661	901,251	916,885	1,098,274	1,084,565	1,150,172			
At the end of accident year	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)			
One year later	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)				
Two years later	(860,786)	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)					
Three years later	(911,882)	(941,110)	(874,843)	(813,229)	(809,250)						
Four years later	(935,406)	(971,793)	(901,976)	(834,470)							
Five years later	(944,361)	(984,310)	(924,531)								
Six years later	(949,985)	(988,726)									
Seven years later	(951,277)										
Cumulative payments to-date	(951,277)	(988,726)	(924,531)	(834,470)	(809,250)	(841,972)	(697,415)	(406,583)			
Gross general insurance claims liabilities (direct and facultative)	148,872	39,205	38,130	66,781	107,635	256,302	387,150	743,589	1,787,664	38,121	1,825,785

** Malaysian Motor Insurance Pool*

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (cont'd.)

Net general insurance contract liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,558			
One year later	793,919	896,635	959,376	951,089	959,398	1,058,099	977,750				
Two years later	791,978	860,834	982,953	907,365	924,949	1,008,222					
Three years later	779,482	885,185	935,316	844,427	850,963						
Four years later	794,484	849,500	884,072	809,285							
Five years later	773,169	831,688	871,175								
Six years later	765,548	824,031									
Seven years later	768,193										
Current estimate of accumulative claims incurred	768,193	824,031	871,175	809,285	850,963	1,008,222	977,750	1,003,558			
At the end of accident year	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)			
One year later	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)				
Two years later	(687,473)	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)					
Three years later	(725,991)	(773,550)	(809,793)	(746,892)	(751,734)						
Four years later	(742,500)	(797,507)	(833,687)	(765,158)							
Five years later	(751,463)	(808,834)	(844,590)								
Six years later	(756,126)	(811,696)									
Seven years later	(756,988)										
Cumulative payments to-date	(756,988)	(811,696)	(844,590)	(765,158)	(751,734)	(776,164)	(644,402)	(388,952)			
Net general insurance claims liabilities (direct and facultative)	11,205	12,335	26,585	44,127	99,229	232,058	333,348	614,606	1,373,493	38,121	1,411,614

(VIII) REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARE

In the financial year ended 31 March 2013, AmGeneral Holdings Berhad ("AMGH") (a 51% owned subsidiary) had issued RM600 million of Redeemable Cumulative Convertible Preference Share ("RCCPS") and the salient features of the RCCPS are as follows:

(i) The RCCPS are redeemable during the redemption period from 27 September 2012 to 26 September 2027 ("maturity date"). The RCCPS will be redeemed during the redemption period or at the maturity date with the redemption price equal to the issue price.

(ii) The RCCPS confers on the holders the right to a fixed cumulative preference dividend calculated at 1% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RCCPS, in priority to any other classes of shares to the extent that there are profits available for distribution and compliance with the capital adequacy requirements as stipulated by BNM.

(iii) The RCCPS holders are entitled at any time to convert all or any of the RCCPS held to ordinary shares in AMGH on the basis of one RCCPS for one new ordinary share.

At Group, the RCCPS is presented net of deferred tax, and reflects only the portion issued to the non-controlling interests.

54. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements excluding financial assets not subject to offset and that are only subject to collateral arrangements (eg. loans, advances and financing) are as follows:

Group	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Financial instruments RM'000	Amount not offset in the statements of financial position: Cash collateral received/ pledged RM'000	Net amount RM'000
31 March 2020						
Derivative financial assets	2,077,281	–	2,077,281	(1,054,574)	(227,924)	794,783
Other assets	2,818,444	(9,010)	2,809,434	(36,096)	(10,731)	2,762,607
	4,895,725	(9,010)	4,886,715	(1,090,670)	(238,655)	3,557,390
Derivative financial liabilities	1,960,103	–	1,960,103	(1,054,574)	(1,035,710)	(130,181)
Other liabilities	3,974,928	(9,010)	3,965,918	–	–	3,965,918
	5,935,031	(9,010)	5,926,021	(1,054,574)	(1,035,710)	3,835,737
31 March 2019						
Derivative financial assets	763,923	–	763,923	(382,699)	(140,104)	241,120
Other assets	2,009,093	(25,642)	1,983,451	(43,209)	(9,799)	1,930,443
	2,773,016	(25,642)	2,747,374	(425,908)	(149,903)	2,171,563
Derivative financial liabilities	825,492	–	825,492	(382,699)	(386,679)	56,114
Other liabilities	3,502,230	(25,642)	3,476,588	–	–	3,476,588
	4,327,722	(25,642)	4,302,080	(382,699)	(386,679)	3,532,702

55. ASSETS HELD FOR SALE

Group	31 March 2020 RM'000	31 March 2019 RM'000
Asset held for sale		
Proposed disposal of property	2,324	5,029
	2,324	5,029

	Note	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year		5,029	3,963
Transferred from property and equipment during the financial year	19	3,782	5,029
Disposal completed during the financial year		(6,487)	(3,963)
Balance at end of the financial year		2,324	5,029

The disposal during the current financial year had resulted in gain of approximately RM1.5 million (2019: RM0.7 million) as disclosed in Note 34.

56. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 16 *LEASES* AND RESTATEMENT OF COMPARATIVE INFORMATION

(a) Adoption of MFRS 16 *Leases*

(i) The adoption of MFRS 16 *Leases* resulted in the following financial effects to the statements of financial position of the Group:

Group	Note	31 March 2019 RM'000	Effects of adoption of MFRS 16 RM'000	1 April 2019 RM'000
ASSETS				
Right-of-use assets	21	–	328,629	328,629
LIABILITIES				
Other liabilities*	27(e), 27(f)	3,476,588	328,629	3,805,217

** includes provision for reinstatement of leased properties of RM15.5 million.*

56. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 16 *LEASES* AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(a) Adoption of MFRS 16 *Leases (cont'd.)*

(ii) The reconciliation on operating lease commitments under MFRS 117 to lease liabilities as at 1 April 2019 are as follows:

	Note	Group RM'000
Operating lease commitments as at 31 March 2019	46	143,171
Effect from discounting at incremental borrowing rate as at 1 April 2019		(6,764)
Discounted operating lease commitments as at 1 April 2019		136,407
Recognition exemption for short term leases		(5,610)
Lease payments relating to renewal periods not included in operating lease commitments as at 31 March 2019		268,691
Contracts reassessed as service agreements		(86,342)
Lease liabilities as at 1 April 2019	27(e)	313,146

(iii) The following table analyses the impact of Capital Adequacy Ratios of the Group:

Group	31 March 2019 (Note 49)	Effects of adoption of MFRS 16	1 April 2019
CET 1 Capital (RM'000)	12,733,378	–	12,733,378
Tier 1 Capital (RM'000)	12,733,817	–	12,733,817
Total Capital (RM'000)	16,386,474	3,449	16,389,923
Risk weighted assets (RM'000)	103,292,431	275,940	103,568,371
Before deducting proposed dividends			
CET 1 Capital ratio	12.328%	(0.033%)	12.295%
Tier 1 Capital ratio	12.328%	(0.033%)	12.295%
Total Capital ratio	15.864%	(0.039%)	15.825%
After deducting proposed dividends			
CET 1 Capital ratio	11.890%	(0.032%)	11.858%
Tier 1 Capital ratio	11.890%	(0.031%)	11.859%
Total Capital ratio	15.426%	(0.037%)	15.389%

(b) Restatement of comparative information

During the current financial year, the Group conducted a review of the reporting of its impaired loans, advances and financing portfolio. The review did not result in any changes to total impaired loans, advances and financing balances or impairment allowances for loans, advances and financing except for certain amendments in disclosure of impaired loans, advances and financing by sector as at 31 March 2019 as reflected in the restated disclosure in Note 13(h) and Note 57(VI)(g).

57. OPERATIONS OF ISLAMIC BANKING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
ASSETS			
Cash and short-term funds	II	5,923,823	1,568,699
Derivative financial assets		59,653	43,136
Financial assets at fair value through profit or loss	III	1,750,250	5,113,974
Financial investments at fair value through other comprehensive income	IV	4,896,694	3,492,140
Financial investments at amortised cost	V	1,689,082	1,705,455
Financing and advances	VI	31,907,446	28,922,092
Statutory deposit with Bank Negara Malaysia		147,000	970,000
Deferred tax assets	VII	299	240
Other assets	VIII	287,745	443,210
Right-of-use assets	IX	2,759	–
Property and equipment	X	481	580
Intangible assets	XI	1,034	1,351
TOTAL ASSETS		46,666,266	42,260,877
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	XII	34,672,130	31,139,936
Investment accounts of customers	XIII	208,726	353,451
Deposits and placements of banks and other financial institutions	XIV	3,449,770	2,536,724
Investment account due to a licensed bank	XV	718,005	1,465,539
Recourse obligation on financing sold to Cagamas Berhad		1,000,000	518,350
Derivative financial liabilities		83,865	55,519
Term funding	25(a)(ii) & (c)(ii)	1,034,697	1,080,000
Subordinated Sukuk	26(a)(i)	1,150,000	1,150,000
Deferred tax liabilities	VII	9,639	7,511
Other liabilities	XVI	559,440	330,069
TOTAL LIABILITIES		42,886,272	38,637,099
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,362,887	2,206,671
TOTAL ISLAMIC BANKING FUNDS		3,779,994	3,623,778
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		46,666,266	42,260,877
COMMITMENTS AND CONTINGENCIES	XXX	13,487,793	11,593,921

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

57. OPERATIONS OF ISLAMIC BANKING (CONTD.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2020

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of depositors' funds	XVII	1,786,624	1,764,554
Income derived from investment of investment account funds	XVIII	79,243	105,499
Income derived from Islamic Banking Funds	XIX	217,087	189,390
Allowance on financing and advances - net	XX	(156,292)	(82,620)
Writeback of allowance/(Allowance) for impairment on:			
– Financial investments	XXI	1,410	(10,905)
– Other financial assets	XXII	(19)	(3)
Provision for commitments and contingencies	XXIII	(32)	(3,464)
Total distributable income		1,928,021	1,962,451
Income attributable to the depositors and others	XXIV	(1,006,466)	(1,023,458)
Income attributable to investment account holders	XXV	(68,442)	(91,519)
Total net income		853,113	847,474
Operating expenses	XXVI	(308,795)	(318,727)
Finance costs		(99,280)	(106,572)
Profit before taxation and zakat		445,038	422,175
Taxation and zakat	XXVII	(93,341)	(97,930)
Profit for the financial year		351,697	324,245

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Profit for the financial year	351,697	324,245
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Financial investments at FVOCI:		
– net unrealised gain for changes in fair value	34,949	28,101
– expected credit loss	(1,386)	10,799
– net gain reclassified to profit or loss	(10,627)	(11,237)
– tax effect	(5,838)	(4,047)
Other comprehensive income for the financial year, net of tax	17,098	23,616
Total comprehensive income for the financial year	368,795	347,861

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	← Non-Distributable		→	← Distributable →	
Group	**Share capital/ Capital funds RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2018	1,417,107	165,153	15,535	1,877,628	3,475,423
Profit for the financial year	–	–	–	324,245	324,245
Other comprehensive income, net	–	–	23,616	–	23,616
Total comprehensive income for the financial year	–	–	23,616	324,245	347,861
Transfer to retained earnings	–	(225)	–	225	–
Transfer to ESS shares recharged-difference on purchase price of shares vested	–	–	–	(69)	(69)
Amount retained by conventional operations	–	–	–	(150,000)	(150,000)
Dividend paid	–	–	–	(49,437)	(49,437)
	–	(225)	–	(199,281)	(199,506)
At 31 March 2019	1,417,107	164,928	39,151	2,002,592	3,623,778
At 1 April 2019	1,417,107	164,928	39,151	2,002,592	3,623,778
Profit for the financial year	–	–		351,697	351,697
Other comprehensive income, net	–	–	17,098	–	17,098
Total comprehensive income for the financial year	–	–	17,098	351,697	368,795
Transfer to retained earnings	–	(93,316)	–	93,316	–
Dividend paid	–	–	–	(212,579)	(212,579)
	–	(93,316)	–	(119,263)	(212,579)
At 31 March 2020	1,417,107	71,612	56,249	2,235,026	3,779,994

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	445,038	422,175
Adjustments for:		
Accretion of discount less amortisation of premium for securities	(48,165)	(106,623)
Allowance for impairment on financing and advances (Note 57 (XX))	236,362	233,124
Depreciation of right-of-use assets	143	–
Depreciation of property and equipment	132	144
Amortisation of intangible assets	369	355
Amortisation of issuance costs for Subordinated Sukuk	–	161
Finance cost – lease liabilities	26	–
Finance cost – provision for reinstatement of leased properties	1	–
Gain on disposal of financial assets at fair value through profit or loss	(15,496)	(8,287)
Gain on revaluation of financial assets at fair value through profit or loss	(348)	(316)
Loss on revaluation of derivatives	11,829	6,852
Unrealised gain on revaluation of hedged item arising from fair value hedge	(14,479)	(3,812)
Shares granted under Executives' Share Scheme	956	(29)
(Writeback of)/Allowances for ECL on:		
– financial investments (Note 57 (XXI))	(1,410)	10,905
– cash and short term funds (Note 57 (XXII))	19	3
– commitments and contingencies (Note 57(XIII))	32	3,464
Gain on disposal of financial investment at fair value through other comprehensive income	(10,627)	(11,237)
Loss on disposal of property and equipment	–	10
Operating profit before working capital changes	604,382	546,889
(Increase)/decrease in operating assets		
Financial assets at fair value through profit or loss	3,412,141	(3,448,538)
Financing and advances	(3,221,716)	(1,523,691)
Statutory deposit with Bank Negara Malaysia	823,000	(149,000)
Other assets	171,332	(165,898)
(Decrease)/increase in operating liabilities		
Deposits from customers	3,532,194	4,646,134
Investment accounts of customers	(144,725)	214,495
Deposits and placements of banks and other financial institutions	913,046	1,652,632
Investment account due to a licensed bank	(747,534)	(1,393,571)
Recourse obligation on financing sold to Cagamas Berhad	481,650	(2,055)
Term funding	(45,303)	–
Other liabilities	219,859	(71,284)
Cash generated from operating activities	5,998,326	306,113
Zakat paid	(2,445)	(1,855)
Tax paid	(104,787)	(74,714)
Net cash generated from operating activities	5,891,094	229,544

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020 (CONT'D.)

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments at fair value through other comprehensive income	(1,348,140)	(399,098)
Redemption of financial investments at amortised cost	25,000	–
Purchase of property and equipment	(33)	(389)
Proceeds from disposal of property and equipment	–	87
Purchase of intangible assets	(52)	(499)
Net cash used in investing activities	(1,323,225)	(399,899)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Subordinated Sukuk	–	500,000
Repayment of Subordinated Sukuk	–	(350,000)
Funds transferred to conventional operations	–	(150,000)
Dividends paid	(212,579)	(49,437)
Rental payment for lease liabilities	(146)	–
Net cash used in financing activities	(212,725)	(49,437)
Net increase/(decrease) in cash and cash equivalents	4,355,144	(219,792)
Cash and cash equivalents at beginning of the financial year	1,568,705	1,788,497
Cash and cash equivalents at end of the financial year	5,923,849	1,568,705
Cash and cash equivalents comprise:		
Cash and short-term funds	5,923,823	1,568,699
Add:		
Allowances for ECL	26	6
	5,923,849	1,568,705

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING

(I) ISLAMIC BANKING BUSINESS

Shariah Committee and governance

The Shariah Committee comprises six (6) members and is responsible and accountable on matters related to Shariah. This includes:

i. advising Board of Directors and Management of the AmBank Islamic on Shariah matters;
ii. endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operation; and
iii. providing advice and guidance on management of zakat fund, charity and other social programme activities.

The Shariah Committee members also sit in the Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function from Shariah perspective to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents as well as treatment of Shariah non-compliance income.

Shariah non-compliance incident and income

For the financial year ended 31 March 2020, there were four (4) Shariah non-compliant ("SNC") incidents involving SNC income of approximately RM50,000.00 relating to the compounding of Late Payment Charges ("LPC") on excess amount of Cash Line Facility-i, extending Islamic financing facility to a customer that falls under red area for Islamic financing, extension of Cash Line Facility-i accounts without aqad and charging excess LPC in auction sale transaction. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. The Group has implemented measures such as system enhancement, improving controls, process and manual, and will conduct training to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2019, there were no SNC incidents.

(II) CASH AND SHORT-TERM FUNDS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Cash and bank balances	457,629	17,705
Less: Allowances for ECL	(26)	(6)
	457,603	17,699
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	5,116,220	1,116,000
Licensed banks	–	435,000
Other financial institutions	350,000	–
	5,923,823	1,568,699

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(II) CASH AND SHORT-TERM FUNDS (CONT'D.)

Movements in allowances for ECL are as follow:

Group	Stage 1 12-Month ECL RM'000
31 March 2020	
Balance at beginning of the financial year	6
Allowances for ECL	19
Net remeasurement of allowances	11
Changes in model assumptions and methodologies	8
Foreign exchange differences	1
Balance at end of the financial year	26
31 March 2019	
Balance at beginning of the financial year	3
Net remeasurement of allowances	3
Balance at end of the financial year	6

The increase in allowances for ECL in Stage 1 by RM19,000 (2019: RM3,000) mainly due to changes in credit quality for a foreign bank account.

(III) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	468,011	121,253
Malaysian Government Investment Issues	870,243	2,563,893
Bank Negara Monetary Notes	299,187	2,291,775
	1,637,441	4,976,921
Unquoted Securities in Malaysia:		
Sukuk	112,809	137,053
	1,750,250	5,113,974

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IV) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
At fair value:		
Money market instruments:		
Malaysian Government Investment Issues	1,301,151	449,619
Islamic negotiable instruments of deposit	299,544	–
	1,600,695	449,619
Unquoted securities:		
In Malaysia:		
Sukuk	3,295,999	3,042,521
	4,896,694	3,492,140

Movements in allowances for ECL are as follows:

	Note	Group		
		Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
31 March 2020				
Balance at beginning of the financial year		2,383	18,636	21,019
Allowances for/(Writeback of) ECL	(XXI)	1,575	(2,961)	(1,386)
– Transfer to 12 month ECL (Stage 1)		561	(689)	(128)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(260)	334	74
New financial asset originated		4,546	2,759	7,305
Financial asset derecognised		(4,100)	(2,722)	(6,822)
Changes in model assumptions and methodologies		1,149	2,199	3,348
Net remeasurement of allowances		(321)	(4,842)	(5,163)
Balance at end of the financial year		3,958	15,675	19,633
31 March 2019				
Balance at beginning of the financial year		6,088	4,132	10,220
(Writeback of)/Allowances for ECL	(XXI)	(3,705)	14,504	10,799
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(2,929)	16,379	13,450
New financial asset originated		8,404	1,691	10,095
Financial asset derecognised		(4,698)	(4,244)	(8,942)
Net remeasurement of allowances		(4,482)	678	(3,804)
Balance at end of the financial year		2,383	18,636	21,019

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IV) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

The movements in allowances for ECL are mainly contributed by:

(a) Increase in Stage 1 ECL due to new assets originated and FL ECL overlay; offset by derecognition of assets.
(b) Decrease in Stage 2 ECL mainly due to remeasurement of allowances and financial assets derecognised, offset by FL ECL overlay and new financial assets originated.

(V) FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
At amortised cost:		
Money Market Instruments:		
Malaysian Government Investment Issues	260,733	260,530
Unquoted Securities:		
In Malaysia:		
Sukuk	1,428,632	1,445,232
Less: Allowances for ECL	(283)	(307)
	1,689,082	1,705,455

Movements in allowances for ECL are as follow:

Group	Stage 1 12-Month ECL RM'000
31 March 2020	
Balance at beginning of the financial year	307
(Writeback of)/Allowances for ECL	(24)
Financial asset derecognised	(32)
Changes in model assumptions and methodologies	71
Net remeasurement of allowances	(63)
Balance at end of the financial year	283
31 March 2019	
Balance at beginning of the financial year	201
Net remeasurement of allowances	106
Balance at end of the financial year	307

The decrease in allowances for ECL mainly contributed by remeasurement of allowance and financial assets derecognised, offset by FL ECL overlay.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES

(a) Financing and advances by type of financing and Shariah contracts are as follows:

Group 31 March 2020	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	–	590,232	–	–	852,540	–	1,442,772
Term financing	592,256	8,978,315	9,683	–	1,768,433	46,486	11,395,173
Revolving credit	42,097	3,611,361	–	–	1,438,189	–	5,091,647
Housing financing	2,818,376	4,608,763	46,279	–	–	–	7,473,418
Hire purchase receivables	4	–	–	3,769,943	–	–	3,769,947
Bills receivables	–	188,629	–	–	–	19,886	208,515
Credit card receivables	–	–	–	–	–	504,532	504,532
Trust receipts	–	231,520	–	–	–	–	231,520
Claims on customers under acceptance credits	–	1,638,191	–	–	–	295,391	1,933,582
Staff financing	–	2,443	–	–	–	–	2,443
Others	–	220,375	–	–	–	–	220,375
Gross financing and advances*	3,452,733	20,069,829	55,962	3,769,943	4,059,162	866,295	32,273,924
Allowance for impairment on financing and advances							
– Stage 1 – 12 months ECL							(101,638)
– Stage 2 – Lifetime ECL not credit impaired							(167,791)
– Stage 3 – Lifetime ECL credit impaired							(97,049)
Net financing and advances							31,907,446

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type of financing and Shariah contracts are as follows: (cont'd.)

Group 31 March 2019	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	–	426,594	–	–	1,050,183	–	1,476,777
Term financing	805,258	5,816,040	10,130	–	2,419,348	56,637	9,107,413
Revolving credit	42,075	3,478,539	–	–	1,592,275	–	5,112,889
Housing financing	2,970,696	3,235,311	49,022	–	–	–	6,255,029
Hire purchase receivables	4	–	–	4,618,823	–	–	4,618,827
Bills receivables	–	88,416	–	–	–	15,992	104,408
Credit card receivables	–	–	–	–	–	533,122	533,122
Trust receipts	–	324,347	–	–	–	–	324,347
Claims on customers under acceptance credits	–	1,558,829	–	–	–	236,875	1,795,704
Staff financing	–	1,197	–	–	–	–	1,197
Gross financing and advances*	3,818,033	14,929,273	59,152	4,618,823	5,061,806	842,626	29,329,713
Allowance for impairment on financing and advances							
– Stage 1 – 12 months ECL							(80,362)
– Stage 2 – Lifetime ECL not credit impaired							(204,632)
– Stage 3 – Lifetime ECL credit impaired							(122,627)
Net financing and advances							28,922,092

* *Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangements between AmBank Islamic and AmBank. Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing.*

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(b) The maturity structure of financing and advances are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Maturing within one year	10,373,700	10,226,890
Over one year to three years	2,573,817	2,967,834
Over three years to five years	3,663,358	3,765,533
Over five years	15,663,049	12,369,456
	32,273,924	29,329,713

(c) Gross financing and advances analysed by type of customers are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Domestic banking institution	–	415
Domestic non-bank financial institutions	1,409,310	1,296,857
Domestic business enterprises		
– Small medium enterprises	6,408,267	5,802,022
– Others	8,601,514	7,655,738
Government and statutory bodies	506,597	506,738
Individuals	15,247,461	13,962,248
Other domestic entities	14,905	11,939
Foreign individuals and entities	85,870	93,756
	32,273,924	29,329,713

(d) Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Fixed rate:		
Housing financing	192,850	188,642
Hire purchase receivables	3,671,333	4,402,401
Other financing	3,472,327	3,305,821
Variable rate:		
Base rate and lending/financing rate plus	13,308,991	10,826,666
Cost-plus	9,473,758	8,509,258
Other variable rates	2,154,665	2,096,925
	32,273,924	29,329,713

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(e) Gross financing and advances analysed by sector are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Agriculture	1,377,805	1,648,017
Mining and quarrying	1,115,289	666,823
Manufacturing	3,939,659	3,968,877
Electricity, gas and water	164,430	135,928
Construction	1,226,178	1,006,587
Wholesale, retail trade, restaurants and hotels	1,889,223	1,578,778
Transport, storage and communication	1,609,027	1,431,629
Finance and insurance	1,409,310	1,297,273
Real estate	2,026,922	2,135,224
Business activities	1,386,013	650,398
Education and health	796,737	733,635
Household of which:	15,333,331	14,056,509
– purchase of residential properties	7,425,842	6,202,262
– purchase of transport vehicles	3,416,102	4,272,070
– others	4,491,387	3,582,177
Others	–	20,035
Gross financing and advances	32,273,924	29,329,713

(f) Movements in impaired financing and advances are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	572,549	582,538
Additions during the financial year	455,618	376,962
Reclassified to non-impaired financing	(46,370)	(131,055)
Recoveries	(88,965)	(27,839)
Amount written off	(277,482)	(228,057)
Balance at end of the financial year	615,350	572,549
Gross impaired financing and advances as % of gross financing and advances	1.91%	1.95%
Financing loss coverage (including regulatory reserve)	74.2%	103.2%

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(g) Impaired financing and advances analysed by sector are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 (Restated) RM'000
Agriculture	47,758	2
Mining and quarrying	2,370	2,638
Manufacturing	29,443	22,165
Construction	3,221	3,521
Wholesale, retail trade, restaurants and hotels	55,256	11,353
Transport, storage and communication	49,007	66,608
Real estate	243,083	290,231
Business activities	10,486	904
Education and health	2,325	3,422
Household of which:	172,401	171,705
– Purchase of residential properties	89,370	71,902
– Purchase of transport vehicles	43,072	62,885
– Others	39,959	36,918
Impaired financing and advances	615,350	572,549

(h) Movements in allowances for ECL are as follows:

Group 31 March 2020	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
Balance at beginning of the financial year		80,362	204,632	122,627	407,621
Allowances for/(writeback of) ECL during the year:	(XX)	21,299	(36,841)	251,904	236,362
– Transfer to 12 month ECL (Stage1)		3,659	(35,197)	(1,531)	(33,069)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(7,841)	60,718	(9,447)	43,430
– Transfer to Lifetime ECL credit impaired (Stage 3)		(883)	(6,440)	34,238	26,915
New financial assets originated		27,824	18,218	2,134	48,176
Net remeasurement of allowances		(8,935)	(66,765)	260,423	184,723
Changes in model assumptions and methodologies		22,825	20,731	(312)	43,244
Modification of contractual cash flows of financial assets		410	(179)	–	231
Financial assets derecognised		(15,760)	(27,927)	(33,601)	(77,288)
Foreign exchange differences		(23)	–	–	(23)
Amount written-off		–	–	(277,482)	(277,482)
Balance at end of the financial year*		101,638	167,791	97,049	366,478

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(h) Movements in allowances for ECL are as follows: (cont'd.)

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
Balance at beginning of the financial year		72,384	204,922	125,244	402,550
Allowances for/(writeback of) ECL during the year:	(XX)	7,974	(290)	225,440	233,124
– Transfer to 12 month ECL (Stage1)		3,319	(33,489)	(2,064)	(32,234)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(7,165)	55,244	(8,080)	39,999
– Transfer to Lifetime ECL credit impaired (Stage 3)		(939)	(8,674)	85,704	76,091
New financial assets originated		22,540	67,790	5,309	95,639
Net remeasurement of allowances		(27)	(61,345)	172,865	111,493
Modification of contractual cash flows of financial assets		(30)	37	–	7
Financial assets derecognised		(9,724)	(19,853)	(28,294)	(57,871)
Foreign exchange differences		4	–	–	4
Amount written off		–	–	(228,057)	(228,057)
Balance at end of the financial year*		80,362	204,632	122,627	407,621

* *Included ECL previously taken up by AmBank transferred in arising from early redemption of investment account contracts by AmBank which amounted to RM3.3 million (31 March 2019: RM3.7 million). As at 31 March 2020, the gross exposure (including profit receivable) relating to RA financing amounted to RM719.9 million (2019: RM1,470.1 million). ECL allowance relating to the RA financing which amounted to RM2.3 million (2019: RM3.7 million) is taken up by AmBank.*

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the changes in the allowance for impairment on financing and advances.

Overall, the total allowance for impairment on financing and advances for the Group had decreased due to the following:

(a) 12-month ECL (Stage 1) – increase by RM21.3 million due to the impact from the newly originated financing and FL ECL overlay; partially offset by the impact from the derecognition of financing and advances, remeasurement of allowances and transfer to Stage 2.

(b) Lifetime ECL not credit-impaired (Stage 2) – decrease by RM36.8 million mainly due to remeasurement of allowances, financing and advances derecognised, and transfer of financing and advances to Stage 1 partially offset by the impact from the transfer of financing and advances to Stage 2, new financing and advances originated and FL ECL overlay.

(c) Lifetime ECL credit-impaired (Stage 3) – decrease by RM25.6 million mainly due to transfer to other stages, derecognition of financing and advances and write-off of impaired financing and advances, offset by remeasurement of allowances.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statements of financial position, after appropriate offsetting:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Deferred tax assets	299	240
Deferred tax liabilities	(9,639)	(7,511)
	(9,340)	(7,271)
Deferred tax assets and liabilities prior to offsetting are summarised as follows:		
Deferred tax assets	18,995	14,559
Deferred tax liabilities	(28,335)	(21,830)
	(9,340)	(7,271)

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows:

Group 31 March 2020	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Other temporary differences	11,063	4,333	–	15,396
Deferred income	3,496	103	–	3,599
	14,559	4,436	–	18,995
Excess of capital allowance over depreciation	(205)	115	–	(90)
Deferred charges	(13,377)	(933)	–	(14,310)
Other temporary differences	(2,522)	151	–	(2,371)
Fair value reserve	(5,726)	–	(5,838)	(11,564)
	(21,830)	(667)	(5,838)	(28,335)

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows: (cont'd.)

Group 31 March 2019	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Other temporary differences	2,562	8,501	–	11,063
Deferred income	3,640	(144)	–	3,496
Deferred tax assets	6,202	8,357	–	14,559
Excess of capital allowance over depreciation	(56)	(149)	–	(205)
Deferred charges	(12,678)	(699)	–	(13,377)
Other temporary differences	(2,529)	7	–	(2,522)
Fair value reserve	(1,679)	–	(4,047)	(5,726)
Deferred tax liabilities	(16,942)	(841)	(4,047)	(21,830)

(VIII) OTHER ASSETS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Trade debtors	2,211	1,208
Other receivables, deposits and prepayments	59,732	81,675
Amount due from related companies	77,114	213,340
Amount due from originators	–	18,350
Profit receivable	62,910	64,143
Tax recoverable	24,848	8,038
Deferred charges	60,930	56,456
	287,745	443,210

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IX) PROPERTY AND EQUIPMENT

Group 31 March 2020	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost					
At beginning of the financial year	528	534	719	249	2,030
Additions	–	–	31	2	33
At end of the financial year	528	534	750	251	2,063
Accumulated Depreciation					
At beginning of the financial year	143	463	628	216	1,450
Depreciation for the financial year	54	21	43	14	132
At end of the financial year	197	484	671	230	1,582
Net Book Value					
As at 31 March 2020	331	50	79	21	481

Group 31 March 2019	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost					
At beginning of the financial year	330	534	718	249	1,831
Additions	383	–	6	–	389
Disposal	(185)	–	(5)	–	(190)
At end of the financial year	528	534	719	249	2,030
Accumulated Depreciation					
At beginning of the financial year	170	442	586	201	1,399
Depreciation for the financial year	61	21	47	15	144
Disposal	(88)	–	(5)	–	(93)
At end of the financial year	143	463	628	216	1,450
Net Book Value					
As at 31 March 2019	385	71	91	33	580

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) INTANGIBLE ASSETS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Computer Software		
Cost		
At beginning of the financial year	2,741	2,242
Additions	52	499
At end of the financial year	2,793	2,741
Accumulated Depreciation		
At beginning of the financial year	1,390	1,035
Amortisation for the financial year	369	355
At end of the financial year	1,759	1,390
Net Book Value	1,034	1,351

(XI) RIGHT-OF-USE ASSETS

Group 31 March 2020	Premises RM'000
Cost	
Balance at beginning of the financial year	–
Effects of adoption of MFRS 16	271
Balance at beginning of the financial year, as restated	271
Additions	2,631
Balance at end of the financial year	2,902
Accumulated amortisation	
Balance at beginning of the financial year	–
Depreciation charged for the financial year	143
Balance at end of the financial year	143
Carrying amount	
Balance at end of the financial year	2,759

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 57(XVI).

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XII) DEPOSITS FROM CUSTOMERS

(i) By type of deposit:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Savings deposits		
Commodity murabahah	2,365,009	2,002,816
Qard	61,836	15,041
Demand deposits		
Commodity murabahah	7,812,982	6,935,337
Qard	337,707	15,375
Term deposits		
Commodity murabahah	23,517,738	20,771,281
Qard	278,734	402,099
Negotiable instruments of deposits		
Bai' Bithaman Ajil	298,124	997,987
	34,672,130	31,139,936

(ii) The deposits are sourced from the following types of customers:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Business enterprises	21,496,027	15,833,377
Government and statutory bodies	3,024,183	4,030,053
Individuals	9,110,214	10,223,309
Others	1,041,706	1,053,197
	34,672,130	31,139,936

(iii) The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Due within six months	19,728,247	16,032,555
Over six months to one year	3,207,927	4,994,369
Over one year to three years	1,141,416	602,241
Over three years to five years	17,006	542,202
	24,094,596	22,171,367

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Unrestricted investment accounts:		
Without maturity		
– Wakalah	16,087	18,643
With maturity		
– Mudarabah	192,639	334,808
	208,726	353,451

(a) Movement in the investment account is as follows:

Group	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2018	20,387	118,569
Funding inflows/(outflows)		
New placements during the financial year	–	597,103
Redemptions/Withdrawals during the financial year	(1,753)	(387,699)
Income from investment	633	8,178
AmBank Islamic's share of profit		
Profit distributed to mudarib	(624)	(1,343)
As at 31 March 2019	18,643	334,808
Funding inflows/(outflows)		
New placements during the financial year	–	713,572
Redemptions/Withdrawals during the financial year	(2,565)	(864,499)
Income from investment	542	11,341
AmBank Islamic's share of profit		
Profit distributed to mudarib	(533)	(2,583)
As at 31 March 2020	16,087	192,639
Investment asset:		
2020		
Interbank placement	16,087	–
Housing financing	–	192,639
Total investment	16,087	192,639
2019		
Interbank placement	18,643	–
Housing financing	–	334,808
Total investment	18,643	334,808

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(a) Movement in the investment account is as follows: (cont'd.)

The investment accounts are sourced from the following types of customers:

Group	31 March 2020 RM'000	31 March 2019 RM'000
Business enterprises	170,926	335,052
Individuals	37,800	18,399
	208,726	353,451

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2020 and 31 March 2019.

(b) Average Profit Rate of Return and Average Performance Incentive Fee for the investment account are as follows:

	Investment account holder		
Group	Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
2020			
Unrestricted investment account:			
less than 3 months	75.03	3.12	2.99
over 3 months to 1 year	82.09	3.77	–
2019			
Unrestricted investment account:			
less than 3 months	79.16	2.98	3.25
over 3 months to 1 year	87.59	4.04	–

(c) The maturity structure of investment accounts are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Unrestricted investment account:		
– Without maturity	16,087	18,643
– With maturity		
Due with six months	192,639	334,808
	208,726	353,451

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIV) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Non-Mudarabah:		
Licensed investment banks	389,040	758,355
Other financial institutions	1,729,954	596,499
Licensed banks	799,296	328,566
Licensed Islamic banks	521,970	848,278
Bank Negara Malaysia	9,510	5,026
	3,449,770	2,536,724

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Restricted investment account ("RA")			
– Mudarabah Muqayyadah	(a)	718,005	1,465,539

(a) The RA is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by AmBank Islamic as the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio. Losses shall be borne solely by the capital provider. The capital provider for the RA contracts is AmBank, a related company.

(b) On 27 August 2019 and 25 March 2020, AmBank early redeemed placements which amounted to total of RM188.2 million and RM837.0 million respectively. The expected credit losses on the financing funded by this contract is now taken up in AmBank Islamic as disclosed in Note 57(VI). On 16 December 2019, AmBank entered into a new contract with AmBank Islamic which amounted to RM210.0 million. As at 31 March 2020, the tenure of the RA contracts is for a period ranging between 2 years to 10 years (2019: 8 months to 11 years).

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

(c) Movements in the investment account are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
At beginning of the financial year	1,465,539	2,859,110
Funding inflows/outflows		
New placements during the financial year	210,015	–
Redemptions during the financial year, net*	(957,543)	(1,393,571)
Income attributable to investment account holders	(59,675)	(84,674)
Income from investment	67,361	97,064
AmBank Islamic's share of profit		
Profit distributed to mudarib	(7,692)	(12,390)
At end of the financial year	718,005	1,465,539
Investment asset:		
Financing	718,005	1,465,539
Total investment	718,005	1,465,539

* *Redemption amounts are inclusive of additional placements for existing contract of RM74.3 million (31 March 2019: RM42.7 million).*

(d) Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	31 March 2020		31 March 2019	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
between 1 to 2 years	–	–	46	2.36
between 2 to 5 years	89	4.04	90	4.62
more than 5 years	90	3.76	77	3.86

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES

		Group	
	Note	31 March 2020 RM'000	31 March 2019 RM'000
Other payables and accruals		497,333	270,183
Lease liabilities	(a)	2,704	–
Provision for reinstatement of leased properties	(b)	79	–
Deferred income		13,344	14,566
Provision for zakat and taxation		12,703	6,016
Provision for commitments and contingencies	(c)	5,500	15,724
Allowances for ECL on financing commitments and financial guarantees	(d)	18,269	18,230
Security deposit and advance payment for financing and advances		9,508	5,350
		559,440	330,069

(a) The movements in lease liabilities are as follows:

	Group 31 March 2020 RM'000
Premises	
At beginning of the financial year	–
Effect of adoption of MFRS16	241
At beginning of the financial year, as restated	241
Additions	2,583
Finance cost charged	26
Payment of lease liabilities	(146)
At end of the financial year	2,704

The weighted-average incremental discounted borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 3.3% per annum.

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Bank is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 3.1(a) of the MFRS 16 (low-value assets) for the current financial year end amounted to approximately RM1,000. There was no lease with contract term of less than 12 months.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

(a) The movements in lease liabilities are as follows: (cont'd.)

Lease liabilities analysed by undiscounted contractual payments are as follows:

	Group 31 March 2020 RM'000
Premises	
Up to 1 month	28
>1 month to 3 months	56
>3 months to 6 months	85
>6 months to 12 months	169
>1 year to 5 years	1,110
Over 5 years	1,722
	3,170

(b) The movements for provision for reinstatement of leased properties are as follows:

	Group 31 March 2020 RM'000
At the beginning of the financial year	–
Effect of adoption of MFRS16	30
At the beginning of the financial year, as restated	30
Additions	48
Finance cost charged	1
At end of the financial year	79

(c) The movements in provision for commitments and contingencies are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Balance at beginning of the financial year	15,724	–
(Reversal of)/Provision taken up under impaired financing and advances*	(10,224)	15,724
Balance at end of the financial year	5,500	15,724

* *Arising from the disposal of non-performing financing in the financial year ended 31 March 2019 by AmBank Islamic, the Group had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non-performing financing. The Group had entered into Supplemental Sales and Purchase Agreement ("Supplemental SPA") with the purchaser of non-performing financing, Aiqon Islamic Sdn Bhd on 30 August 2019. The Supplemental SPA for variation of terms and conditions of the original Sales and Purchase Agreement had included a limit of RM5.5 million to the Group's liabilities for repurchase of financing.*

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees are as follows:

31 March 2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
Balance at beginning of the financial year	10,135	8,083	12	18,230
Allowance for/(Writeback of) ECL during the financial year:	1,539	(1,502)	(5)	32
– Transfer to 12 month ECL (Stage 1)	234	(2,022)	–	(1,788)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(396)	2,384	–	1,988
– Transfer to Lifetime ECL credit impaired (Stage 3)	(43)	(90)	–	(133)
New exposures originated	3,015	1,843	–	4,858
Net remeasurement of allowances	(1,065)	(3,167)	15	(4,217)
Exposures derecognised	(3,366)	(1,164)	–	(4,530)
Changes in model assumptions and methodologies	3,160	714	(20)	3,854
Foreign exchange difference	7	–	–	7
Balance at the end of the financial year	11,681	6,581	7	18,269

31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
Balance at beginning of the financial year	8,817	5,911	35	14,763
Allowance for/(Writeback of) ECL during the year:	1,319	2,168	(23)	3,464
– Transfer to 12 month ECL (Stage 1)	190	(2,100)	–	(1,910)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(327)	1,879	–	1,552
– Transfer to Lifetime ECL credit impaired (Stage 3)	(45)	(84)	–	(129)
New financial instruments originated	3,587	4,001	–	7,588
Net remeasurement of allowances	623	(506)	(23)	94
Financial instruments derecognised	(2,709)	(1,022)	–	(3,731)
Foreign exchange difference	(1)	4	–	3
Balance at the end of the financial year	10,135	8,083	12	18,230

The movements in allowances for ECL are as follows:

(a) 12-month ECL (Stage 1) increased by RM1.5 million, mainly due to new exposures originated and FL ECL overlay offset by derecognition of exposures and remeasurement of allowances.

(b) Lifetime ECL not credit impaired (Stage 2) decreased by RM1.5 million mainly due to transfer to Stage 1, remeasurement of allowances and derecognition of exposures offset by transfer in from Stage 1, new exposures originated and FL ECL overlay.

(c) ECL in Stage 3 decreased due to changes in model assumptions and methodologies.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVII) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah:		
Financing and advances	1,331,149	1,322,778
Financial assets at fair value through profit or loss	76,521	100,836
Financial investments at amortised cost	69,369	67,040
Financial investments at fair value through other comprehensive income	167,744	146,024
Impaired financing and advances	1,438	2,797
Deposits and placements with financial institutions	49,634	59,115
	1,695,855	1,698,590
Gain from sale of financial investments at fair value through other comprehensive income	9,660	10,270
Gain from sale of financial assets at fair value through profit and loss	14,086	7,574
Gain on revaluation of financial assets at fair value through profit and loss	316	289
Foreign exchange	8,655	1,466
Net loss on derivatives	(5,699)	(2,772)
Others	73	(116)
	27,091	16,711
Fee and commission income:		
Commission	19,546	14,684
Other fee income	44,132	34,569
	63,678	49,253
Total	1,786,624	1,764,554

(XVIII) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of:		
(i) Restricted investment account	67,361	97,064
(ii) Unrestricted investment account	11,882	8,435
	79,243	105,499
(i) Income derived from investment of restricted investment account		
Finance income and hibah:		
Financing and advances	67,361	97,064
(ii) Income derived from investment of unrestricted investment account		
Finance income and hibah:		
Financing and advances	11,341	7,804
Deposits and placements with banks and other financial institutions	541	631
Total finance income and hibah	11,882	8,435

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIX) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah:		
Financing and advances	132,713	124,543
Financial assets at fair value through profit or loss	7,661	9,495
Financial investments at fair value through other comprehensive income	16,792	13,750
Financial investments at amortised cost	6,944	6,313
Impaired financing and advances	144	263
Deposits and placements with financial institutions	4,969	5,566
Others	120	–
	169,343	159,930
Gain from sale of financial assets at fair value through profit and loss	1,410	713
Gain on revaluation of financial assets at fair value through profit and loss	32	27
Gain from sale of financial investments at fair value through other comprehensive income	967	967
Foreign exchange	852	138
Loss on derivatives	(570)	(261)
Others	7	(23)
	2,698	1,561
Fee and commission income:		
Commission	10,017	8,018
Other fee income	35,029	19,881
	45,046	27,899
Total	217,087	189,390

(XX) IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Allowance for impairment on financing and advances:		
Allowance for ECL (Note 57(VI)(h))	236,362	233,124
Impaired financing and advances recovered, net	(80,070)	(150,504)
	156,292	82,620

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXI) (WRITEBACK OF ALLOWANCE)/ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Financial investments at amortised cost – sukuk	(24)	106
Financial investments at fair value through other comprehensive income – sukuk	(1,386)	10,799
	(1,410)	10,905

(XXII) IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Cash and short-term funds	19	3

(XXIII) PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Provision for commitments and contingencies – financial commitments and financial guarantee	32	3,464

(XXIV) INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Deposits from customers:		
Non-Mudarabah Fund	893,967	903,053
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund	89,301	91,051
Others	23,198	29,354
	112,499	120,405
Total	1,006,466	1,023,458

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXV) INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Unrestricted		
Customers – investment accounts	8,767	6,845
Restricted		
Licensed bank – investment account	59,675	84,674
	68,442	91,519

(XXVI) OPERATING EXPENSES

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Personnel costs	25,081	23,000
Establishment costs	3,028	2,801
Marketing and communication expenses	4,724	6,953
Administration and general expenses	11,968	22,476
Service transfer pricing expense, net	263,994	263,497
	308,795	318,727

(XXVII) TAXATION AND ZAKAT

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Taxation	90,314	95,529
Zakat	3,027	2,401
Taxation and zakat	93,341	97,930

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVIII) NET INCOME FROM ISLAMIC BANKING

For consolidation with the conventional business, net income from the operations of Islamic banking comprises the followings:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of depositors' funds	1,786,624	1,764,554
Income derived from investment of investment account funds	79,243	105,499
Income derived from Islamic Banking Funds	217,087	189,390
Less: Income attributable to the depositors and others	(1,006,466)	(1,023,458)
Income attributable to investment account holders	(68,442)	(91,519)
Income attributable to the Group	1,008,046	944,466
Less: Finance costs	(99,280)	(106,572)
	908,766	837,894
Consolidation adjustments	110,789	114,055
	1,019,555	951,949

(XXIX) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital ratio	11.404%	11.965%
Tier 1 Capital Ratio	11.404%	11.965%
Total Capital Ratio	16.138%	17.134%
After deducting proposed dividends:		
Common Equity tier 1 ("CET 1") Capital ratio	11.404%	11.965%
Tier 1 Capital Ratio	11.404%	11.965%
Total Capital Ratio	16.138%	17.134%

The capital adequacy ratios of the Islamic banking operations of the Group are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (Basel II) and the Capital Adequacy Framework for Islamic Banks Capital Components ("CAFIB"). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXIX) CAPITAL ADEQUACY RATIO (CONT'D.)

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
CET1 Capital		
Ordinary share capital	1,417,107	1,417,107
Retained earnings	2,235,026	2,002,591
Fair value reserve	56,249	39,151
Regulatory reserve	71,612	164,928
Less: Regulatory adjustments applied on CET1 Capital		
Other intangibles	(1,034)	(1,351)
55% of cumulative gains in fair value reserve	(30,937)	(21,533)
Regulatory reserve	(71,612)	(164,928)
Unrealised fair value gains and losses on financial liabilities due to changes in own credit risk	(148)	–
CET1/Tier 1 Capital	3,676,263	3,435,965
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,150,000	1,150,000
General provisions*	376,016	334,463
Tier 2 Capital	1,526,016	1,484,463
Total Capital	5,202,279	4,920,428
The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:		
Credit RWA	30,993,830	28,561,965
Less: Credit RWA absorbed by Profit Sharing Investment Account	(912,582)	(1,804,893)
Total Credit RWA	30,081,248	26,757,072
Market RWA	565,524	475,195
Operational RWA	1,589,501	1,484,669
Total Risk Weighted Assets	32,236,273	28,716,936

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXX) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the operations of Islamic banking of the Group makes various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the principal amounts of the commitments and contingencies and notional contracted amounts of derivatives are as follows:

	Group	
	31 March 2020 RM'000	31 March 2019 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
– up to one year	4,991,693	4,333,925
– over one year	408,285	446,645
Unutilised credit card lines	1,354,937	1,334,232
Forward asset purchases	159,934	195,620
	6,914,849	6,310,422
Contingent Liabilities		
Certain transaction-related contingent items	751,997	831,509
Short-term self liquidating trade-related contingencies	80,958	90,954
Direct credit substitutes	570,619	568,350
	1,403,574	1,490,813
Derivative Financial Instruments		
Profit rate related contracts:		
– Over one year to five years	350,000	360,000
– Over five years	–	350,000
Foreign exchange related contracts:		
– One year or less	2,200,167	1,973,689
– Over one year to five years	2,545,986	1,108,997
Commodity related contracts:		
– One year or less	73,217	–
	5,169,370	3,792,686
Total	13,487,793	11,593,921

58. SIGNIFICANT SUBSEQUENT EVENT

Impact of moratorium granted to borrowers effective from 1 April 2020 for a period of 6 months

With effect from 1 April 2020, banking institutions are required to provide an automatic deferment of all loan/financing repayments (except for credit card balances) for a period of six (6) months. This is one of the measures implemented by BNM to assist individuals, small and medium enterprises ("SMEs") and corporations to manage the impact of the COVID-19 pandemic.

The 6 months moratorium granted to eligible borrowers is applicable to performing loans, denominated in Ringgit Malaysia, that have not been in arrears for more than 90 days as at 1 April 2020. The financial impact arising from this moratorium will be a modification to the contractual cash flows of loans, advances and financing of the Group which will result in a recognition of a modification loss to be recognised in profit or loss.

The Group's current financial year results ended 31 March 2020 is not impacted from the 6 months moratorium granted by BNM as the effective date is after the end of the Group's reporting period. Also, it is not an adjusting post balance sheet event in accordance with MFRS 110 *Events after the Reporting Period.*

The Group is currently monitoring and assessing the impact of this modification which is expected to finalised by the first quarter of the financial year ending 31 March 2021.

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report.

No.	Name of Subsidiary Company	Name of Director
1.	AmInvestment Group Berhad	Tan Sri Azman Hashim Seohan Soo
2.	AmREIT Holdings Sdn Bhd	Soo Kim Wai Azlan Baqee bin Abdullah Seohan Soo
3.	AmREIT Managers Sdn Bhd	Soo Kim Wai Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Azlan Baqee bin Abdullah Seohan Soo Raja Nazirin Shah bin Raja Mohamad
4.	AmCapital (B) Sdn Bhd (Under Court Liquidation)	Felix Leong Azlan Mike Skinner
5.	AmInvestment Management Sdn Bhd (Under Members' Voluntary Liquidation)	Pushparani a/p A Moothathamby Datin Maznah binti Mahbob Mohd Fauzi bin Mohd Tahir
6.	Malaysian Ventures Management Incorporated Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
7.	AmPrivate Equity Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
8.	AmSecurities Holding Sdn Bhd	Khoo Teck Beng Gan Kim Khoon
9.	AMSEC Holdings Sdn Bhd (Under Members' Voluntary Liquidation)	Shaharuddin bin Hassan Tan Giap How, John
10.	AMFB Holdings Berhad (Under Members' Voluntary Liquidation)	Tan Sri Azman Hashim Tun Mohammed Hanif bin Omar
11.	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir
12.	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Duncan Victor Brain Dato' Sulaiman bin Mohd Tahir
13	AmGeneral Insurance Berhad	Phoon Soon Keong Duncan Victor Brain Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report. (cont'd.)

No.	Name of Subsidiary Company	Name of Director
14	AmBank (M) Berhad	Voon Seng Chuan Raymond Fam Chye Soon Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh U Chen Hock Soo Kim Wai Ng Chih Kaye
15	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
16	MBf Information Services Sdn Bhd	Khoo Teck Beng Lim Kien Hock (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
17	MBf Nominees (Tempatan) Sdn Bhd	Lim Kien Hock Khoo Teck Beng (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
18	MBf Trustees Berhad	Lim Hock Aun Khoo Teck Beng
19	AmProperty Holdings Sdn Bhd	Khoo Teck Beng Lim Kien Hock (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
20	AmCard Services Berhad	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng, Aaron (appointed on 1 September 2019) Jade Lee Gaik Suan (resigned on 2 September 2019)
21	Teras Oak Pembangunan Sendirian Berhad	Lim Kien Hock Khoo Teck Beng (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
22	Bougainvillaea Development Sdn Bhd	Khoo Teck Beng Lim Kien Hock (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
23	Malco Properties Sdn Bhd	Lim Kien Hock Khoo Teck Beng (appointed on 2 March 2020) Lim Hock Aun (resigned on 3 March 2020)
24	AmPremier Capital Berhad (Under Members' Voluntary Liquidation)	Ling Fou-Tsong @ Jamie Ling Yap Huey Wen, Christopher

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report. (cont'd.)

No.	Name of Subsidiary Company	Name of Director
25	AmMortgage One Berhad	Oon Kin Seng Dato' Ng Mann Cheong Loo Boon Seng, Aaron (appointed on 1 September 2019) Jade Lee Gaik Suan (resigned on 2 September 2019)
26	Komuda Credit & Leasing Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Hock Aun Arunasalam a/l Muthusamy
27	AmInvestment Bank Berhad	Jeyaratnam a/l Tamotharam Pillai Tan Bun Poo Ramesh Pillai Chee Li Har Seow Yoo Lin Lum Sing Fai Dato' Kong Sooi Lin (appointed on 30 October 2019)
28	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw
29	AMMB Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Goh Wee Peng
30	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
31	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
32	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
33	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
34	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
35	AmFunds Management Berhad	Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Goh Wee Peng Jeyaratnam a/l Tamotharam Pillai (appointed on 1 April 2019) Seohan Soo (resigned on 1 January 2020)

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report. (cont'd.)

No.	Name of Subsidiary Company	Name of Director
36	AmIslamic Funds Management Sdn Bhd	Zainal Abidin bin Mohd Kassim Tai Terk Lin Sum Leng Kuang Goh Wee Peng Chee Li Har (appointed on 1 April 2019) Wong Weng Tuck (appointed on 14 June 2019) Seohan Soo (resigned on 1 January 2020)
37	AmFraser International Pte Ltd (Under Members' Voluntary Liquidation)	Lim Hock Aun Wong Yong Fei
38	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng
39	AmBank Islamic Berhad	Dato' Sri Abdul Hamidy bin Abdul Hafiz Hajjah Rosmah binti Ismail Farina binti Farikhullah Khan Azlan Baqee bin Abdullah Dr Mohd Nordin Mohd Zain Foong Pik Yee (appointed on 25 November 2019)
40	MBF Cards (M'sia) Sdn Bhd	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng, Aaron (appointed on 1 September 2019) Jade Lee Gaik Suan (resigned on 2 September 2019)