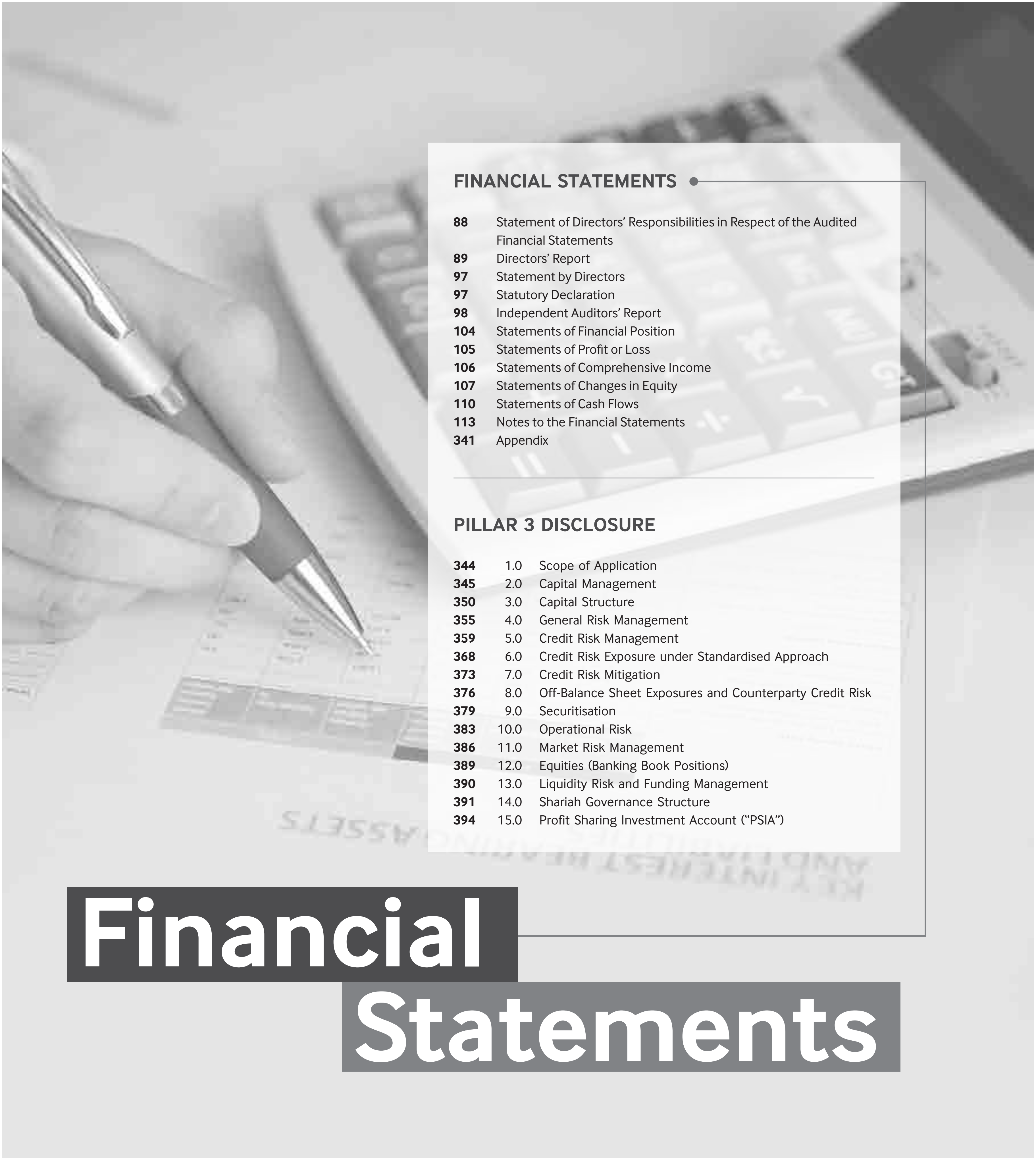

FINANCIAL STATEMENTS

PILLAR 3 DISCLOSURE

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, Bank Negara Malaysia's Guidelines 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 2021, 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 hereby present 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 2021.

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	Company
	RM'000	RM'000
(Loss)/Profit for the financial year	(3,712,094)	338,107
Attributable to:		
Equity holders of the Company	(3,826,466)	338,107
Non-controlling interests	114,372	–
(Loss)/Profit for the financial year	(3,712,094)	338,107

OUTLOOK FOR NEXT FINANCIAL YEAR

Gross Domestic Product ("GDP") growth in Malaysia is estimated to be between 6.0% to 7.0% for 2021 (2020: -5.6%) as gradual improvement in the overall economic performance, along with a low base effect, will boost Malaysia's economic growth. This will be supported by stronger global trade and investment, improving private consumption from less strict movement restrictions and continued policy support for households and businesses as well as the vaccine rollout. Overall, banking system loans are projected to expand around 4% to 5% in 2021, supported by improving business activities and consumer spending.

However, with prevailing uncertainties surrounding the pandemic, the Group continues to build up provisions for its loans in vulnerable sectors via application of management overlays over and above the Expected Credit Loss ("ECL") model provisions. The Group continues to place emphasis on risk management and data analytics to evaluate and monitor its asset quality. While impairment level has remained largely intact, it is expected to rise when moratorium and relief measures phase out by 30 June 2021. Nonetheless, the Group continues to provide financial assistance to customers in need and simultaneously start to graduate the financially abled customers into normal repayment stream.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 57 to the financial statements.

SIGNIFICANT SUBSEQUENT EVENT

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

DIRECTORS' REPORT

BUSINESS PLAN AND STRATEGY

FY2021 has been an unprecedented year for the Group as we navigated both the challenging business landscape resulting from the COVID-19 pandemic and the RM2.83 billion settlement with the Ministry of Finance ("MOF") Malaysia. Nonetheless, the Group entered the crisis on a strong footing and remained resilient with ample liquidity and capital levels above internal thresholds. Given the current economic climate, our top priority will be the restoration of our capital positions back to pre-settlement levels to build up buffers, improve financial flexibility and return value to shareholders. Besides organic capital accretion via profit formation, measures taken to accelerate capital build in the near future are private placement, foundation internal ratings-based ("FIRB") approach implementation and potential non-core asset divestitures.

Operationally, we remained steadfast in the execution of our FY21 – FY24 Focus 8 strategy, which is underpinned by strategic initiatives to drive operational efficiencies and sustainable business growth while weaving environmental, social and governance ("ESG") considerations and digitalisation into our daily operations and business practices. The Group will drive current and savings account ("CASA") and capital-light revenues across its channels, with particular focus on its targeted segments. At the same time, the Group aims to consistently reduce operating costs while continuing to invest in digital, data analytics and automation.

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 the COVID-19 pandemic, impairment of investment in an associate, impairment of goodwill and settlement with MOF Malaysia as disclosed in Note 17, Note 21, Note 23, Note 29, Note 32 and Note 57 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 7.3 sen per share in respect of the financial year ended 31 March 2020 which amounted to RM219,695,761. This amount was noted in the directors' report for that financial year and paid on 30 July 2020 to shareholders whose names appeared in the Record of Depositors on 17 July 2020.

The directors do not propose any dividend for the financial year ended 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.

(i) Issuance of debt securities

On 8 December 2020, AmBank Islamic Berhad ("AmBank Islamic") issued Tranche 8 with nominal value of RM400.0 million under its RM3.0 billion Subordinated Sukuk Murabahah ("Sukuk Murabahah") Programme. The profit rate of this tranche is at 3.13% per annum and have a tenure of 10 years (callable 5 years).

On 30 March 2021, AmBank (M) Berhad ("AmBank") issued Tranche 7 with nominal value of RM400.0 million under its RM4.0 billion Subordinated Notes Issuance Programme. The profit rate of this tranche is at 4.18% per annum and have a tenure of 10 years (callable 5 years).

(ii) Redemption of debt securities

On 26 June 2020, AmBank redeemed Tranche 7 of its Senior Notes with nominal value of RM700.0 million issued under its RM7.0 billion nominal value Senior Note programme.

On 21 December 2020, AmBank Islamic redeemed Tranche 3 of its Sukuk Murabahah on its first call date with nominal value amounting to RM250.0 million.

(iii) Issuance of shares

On 30 March 2021, the issuance of shares by subsidiaries are as follows:

(1) AmBank increased its issued and paid-up ordinary share capital by RM650 million by way of issuance of 66,394,280 new ordinary shares at an issue price of RM9.79 per ordinary share; and

(2) AmInvestment Bank Berhad ("AmInvestment Bank") increased its issued and paid-up ordinary share capital by RM130 million by way of issuance of 114,035,088 new ordinary shares at an issue price of RM1.14 per ordinary share.

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.

DIRECTORS' REPORT

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 gross amount of insurance premium paid by the Company for the directors and officers of the Company and its subsidiaries for the current financial year was RM360,000.

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 total number of issued shares of the Company (excluding treasury shares) at any point of 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 ESS are disclosed in Note 30 to the financial statements.

SHARE BUY-BACK

During the current financial year, the Company bought back from the open market, a total of 1,507,250 ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM3.04 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM4.6 million and was 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 this report are:

Tan Sri Azman Hashim
Graham Kennedy Hodges
Robert William Goudswaard (Appointed on 25 March 2021)
Soo Kim Wai
Voon Seng Chuan
Seow Yoo Lin
Farina binti Farikhullah Khan
Hong Kean Yong
Dato' Kong Sooi Lin

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

	No. of Ordinary Shares			
Shares	Balance at 1.4.2020	Bought	Sold	Balance at 31.3.2021
Tan Sri Azman Hashim *	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 nine (9) 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	5 March 2021	Long-term Corporate Credit Rating Short-term Corporate Credit Rating Outlook	AA3 P1 Stable
AmBank (M) Berhad			
Moody's Investors Service	31 March 2021	Long-term Bank Deposits (Foreign) Rating Short-term Bank Deposits (Foreign) Rating Outlook	A3 P-2 Negative
S&P Global Ratings	8 March 2021	Long-term Foreign Currency Rating Short-term Foreign Currency Rating Outlook	BBB+ A-2 Negative
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable

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 AmBank Islamic's business operations, affairs and activities comply with Shariah requirements at all times;

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

(iii) to review and approve the documentations in relation to AmBank Islamic's products to ensure that the products are in compliance with Shariah requirements, which may include:

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

(iv) to provide a decision, advice or opinion on AmBank Islamic's business, operations, affairs and activities which may trigger a Shariah non-compliance ("SNC") event;

(v) to perform oversight on and assess the strategies, initiatives and work carried out by the Shariah Management Department, 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 the annual assessment of the Head of Shariah Management;

(vi) to perform oversight on the strategies, initiatives and work carried out by the:

    (a) Shariah Review Section;
    (b) Shariah Risk Management Department; and
    (c) Group Internal Audit Department relating to the Shariah Audit 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 of Bank Negara Malaysia ("SAC of BNM") or the Shariah Advisory Council of Securities Commission ("SAC of SC") on any Shariah matters that could not be resolved by the Committee;

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

    (a) makes reference to the SAC of BNM or SAC of SC for advice; or
    (b) submits an application to BNM or SC for new product approval.

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

(xi) to endorse action plan/rectification measure in addressing SNC event and purification of income methodology, including the channelling of such income to charity; and

(xii) to assist in AmBank Islamic's sustainability and VBI agenda, including in relevant capacity building and awareness creation initiatives.

The Shariah Committee may, if it thinks fit and proper and from time to time, delegate, re-delegate, suspend or revoke any powers given to the Shariah Management Department to do certain acts on behalf of the Shariah Committee such as review, advice and/or endorse certain materials or issues within the Shariah Committee's terms of reference.

DIRECTORS' REPORT

SHARIAH COMMITTEE (CONT'D.)

The Shariah Committee members also sit in Shariah Oversight Committee. The Shariah Oversight Committee is established as a sub-committee of the Shariah Committee to assist the Shariah Committee to oversee the strategies, initiatives and work carried out by the Shariah Control Functions namely Shariah Review, Shariah Risk Management and Shariah Audit.

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

(i) to determine whether potential Shariah non-compliance ("SNC") events are SNC;

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

(iii) to provide advice on the recognition of income pursuant to SNC events and/or its disposal; and

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

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
31 May 2021

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 343 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 2021 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
31 May 2021

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 343 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 31 May 2021

LING FOU-TSONG @ JAMIE LING

Before me,

PESURUHJAYA SUMPAH
No: W645
RAYMOND TAY
KOK MENG
BC/T/794
01.01.2019 - 31.12.2021
MALAYSIA

COMMISSIONER FOR OATHS

No. 30, Jalan Kuchai Maju 11 (Jalan 10/116B)
Kuchai Entrepreneurs' Park,
Jalan Kuchai Lama,
58200 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 2021 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 343.

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 2021, 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 judgment, 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.

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 2021, the loans, advances and financing represent 66.1% of the total assets of the Group, and the investments carried at amortised cost and fair value through other comprehensive income represent 12.9% of the total assets of the Group. MFRS 9 *Financial Instruments* ("MFRS 9") requires the Group to account for the impairment loss on loans, advances and financing and investments not carried at fair value through profit or loss with a forward-looking Expected Credit Loss ("ECL") approach.	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 based on their 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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 (cont'd.) The measurement of ECL requires the application of significant judgment and increased complexity which includes 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. COVID-19 created new vulnerabilities, unprecedented challenges and future outlook remains highly uncertain. These changes in economic conditions have been reflected in the macroeconomic assumptions used for the ECL models on a reasonable and supportable basis. In addition, as it is difficult at this time to incorporate the specific effects of COVID-19 and government support measures into the ECL models, the Group has applied management overlay adjustments as further detailed in Note 49.2.1i to the financial statements. *Refer to summary of significant accounting policies in Note 2.5(p), significant accounting estimates and judgment 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 49.2 to the financial statements.*	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 inputs, model design, model performance for significant portfolios. We challenged whether historical experience is representative of current circumstances amid the COVID-19 pandemic environment 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. In assessing the management overlays applied in the ECL amid COVID-19 environment, we performed scenario analysis to cross-check the impacts and challenged reasonableness of the basis applied by the management, particularly for the assets under Stages 1 and 2. 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. In response to COVID-19 pandemic, we included borrowers/customers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures. 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, including the management overlays applied amid COVID-19 environment. 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 these procedures where their specific expertise was required.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Risk area and rationale	Our response
Impairment of (i) goodwill and (ii) investment in subsidiaries **Goodwill** As at 31 March 2021, goodwill amounts to RM1.02 billion. The Group is required to annually test the carrying amount of goodwill for impairment. The Group has reached an agreement with the Ministry of Finance Malaysia for a full and final settlement of RM2.83 billion in relations to historical transactions with 1 Malaysia Development Berhad and its related entities (the "settlement"). The settlement and COVID-19 pandemic have impacted the Group's performance and future prospects. An impairment charge on goodwill of RM1.8 billion was recognised in respect of the conventional banking and investment banking cash generating units ("CGUs") during the financial year. Goodwill impairment testing of CGUs relies on value-in-use ("VIU") estimates based on estimated future cash flows. This is an area of focus in the preparation of the 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. **Investment in subsidiaries** As at 31 March 2021, the carrying amount of investment in subsidiaries stood at RM10.4 billion. 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 judgment and are based on complex assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Notes 2.5(s)(i) and 2.5(b), significant accounting estimates and judgment in Note 5.3 and the disclosure of (i) goodwill and (ii) investment in subsidiaries in Notes 21 and 16 to the financial statements.*	We have considered the impact of the settlement and the COVID-19 pandemic in our impairment assessment of goodwill and investment in subsidiaries. Our audit procedures included, amongst others, reviewing the settlement agreement and related correspondences, evaluating the assumptions and methodologies 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, amid the COVID-19 pandemic environment. 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 of the Company's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Risk area and rationale	Our response
Valuation of insurance contract liabilities	
The general insurance contract liabilities amounted to RM2.42 billion or 1.6% of total liabilities in the statement of financial position of the Group as at 31 March 2021. 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 judgment 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(am), significant accounting estimates and judgment in Note 5.7 and Note 5.8 and the disclosures of the general insurance business and contract liabilities in Note 52 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, focusing on the key assumptions applied in the valuation. Our Actuarial Services specialists 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 the financial statements.	In this area 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. In addition, we also examined the effectiveness of the system automated controls in supporting the business processes. Review such as the completeness and accuracy of application (i.e. configuration checks, interface controls, report testing, transaction simulation, access rights) is performed.

INDEPENDENT AUDITORS' REPORT

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

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.

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 judgment 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.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- 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, actions taken to eliminate threats or safeguards applied.

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.

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	**AHMAD QADRI BIN JAHUBAR SATHIK**
202006000003 (LLP0022760-LCA) & AF 0039	No. 03254/05/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
31 May 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Cash and short-term funds	6	18,809,478	15,611,728	689,326	322,262
Deposits and placements with banks and other financial institutions	8	103,028	98,845	–	–
Derivative financial assets	9	1,291,190	2,077,281	–	–
Financial assets at fair value through profit or loss	10	9,561,974	12,545,857	1,104	1,078
Financial investments at fair value through other comprehensive income	11	17,786,198	19,722,901	–	–
Financial investments at amortised cost	12	4,192,424	4,852,813	–	–
Loans, advances and financing	13	112,478,319	105,950,930	–	–
Statutory deposits with Bank Negara Malaysia	14	425,278	489,006	–	–
Deferred tax assets	15	134,350	51,457	–	–
Investments in subsidiaries and other investments	16	–	–	10,407,425	9,627,425
Investments in associates and joint ventures	17	588,937	699,275	–	–
Other assets	18	2,441,436	2,809,434	1,833,358	1,571
Reinsurance assets and other insurance receivables	52(I)	432,684	457,906	–	–
Property and equipment	19	215,934	254,144	1	332
Right-of-use assets	20	270,753	317,679	–	–
Intangible assets	21	1,443,947	3,261,506	–	–
Assets held for sale	54	2,324	2,324	–	–
TOTAL ASSETS		170,178,254	169,203,086	12,931,214	9,952,668
LIABILITIES AND EQUITY					
Deposits from customers	22	120,543,186	112,966,712	–	–
Investment accounts of customers	56(XIII)	94,834	208,726	–	–
Deposits and placements of banks and other financial institutions	23	9,920,887	10,021,921	–	–
Securities sold under repurchase agreements	7	810,171	6,352,709	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	24	7,275,018	5,140,023	–	–
Derivative financial liabilities	9	1,269,809	1,960,103	–	–
Term funding	25	1,749,870	2,501,739	–	–
Debt capital	26	4,295,000	3,745,000	–	–
Redeemable cumulative convertible preference share	52(VIII)	238,713	231,311	–	–
Deferred tax liabilities	15	19,669	69,720	–	–
Other liabilities	27	5,891,731	3,965,918	2,872,422	46,974
Insurance contract liabilities and other insurance payables	52(I)	2,479,007	2,479,164	–	–
TOTAL LIABILITIES		154,587,895	149,643,046	2,872,422	46,974
Share capital	28	5,951,557	5,851,557	5,550,250	5,550,250
Treasury shares	29(f)	(20,970)	(26,916)	(20,970)	(26,916)
Reserves	29	8,710,190	12,756,131	4,529,512	4,382,360
Equity attributable to equity holders of the Company		14,640,777	18,580,772	10,058,792	9,905,694
Non-controlling interests	31	949,582	979,268	–	–
TOTAL EQUITY		15,590,359	19,560,040	10,058,792	9,905,694
TOTAL LIABILITIES AND EQUITY		170,178,254	169,203,086	12,931,214	9,952,668
COMMITMENTS AND CONTINGENCIES	46	136,999,665	133,474,654	–	–
NET ASSETS PER SHARE (RM)		4.87	6.18	3.34	3.29

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

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 March 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	51,2.5(y)	8,412,644	9,324,567	362,050	858,518
Interest income	32	4,155,780	4,940,011	6,550	5,247
Interest expense	33	(2,063,873)	(3,001,394)	–	–
Net interest income		2,091,907	1,938,617	6,550	5,247
Net income from Islamic banking	56(XXVIII)	929,659	1,019,555	–	–
Income from insurance business	52(III)	1,398,558	1,428,732	–	–
Insurance claims and commissions	52(III)	(904,245)	(988,024)	–	–
Net income from insurance business	52(III)	494,313	440,708	–	–
Other operating income	34	992,763	831,416	355,500	853,271
Share in results of associates and joint ventures		43,813	(3,140)	–	–
Net income		4,552,455	4,227,156	362,050	858,518
Other operating expenses	35	(2,132,235)	(2,108,191)	(22,411)	(26,574)
Operating profit before impairment losses and settlement		2,420,220	2,118,965	339,639	831,944
Allowances for impairment on loans, advances and financing	37	(1,116,936)	(322,631)	–	–
Writeback of/(Allowances for) impairment on:					
Financial investments	38	8,476	(46,528)	–	–
Insurance receivables	52(IV),(VI)	6,208	8,602	–	–
Other financial assets	38	332	1,308	–	–
Subsidiaries	16(a)(4)(iii)	–	–	–	(12,888)
Provision for commitments and contingencies					
– (charge)/writeback		(39,296)	22,267	–	–
Other recoveries, net		4,469	873	–	–
Impairment of goodwill	21(a)	(1,789,153)	–	–	–
Impairment of investment in associate	17	(147,819)	–	–	–
Settlement	57	(2,830,000)	–	–	–
(Loss)/Profit before taxation and zakat		(3,483,499)	1,782,856	339,639	819,056
Taxation and zakat	39	(228,595)	(330,023)	(1,532)	(1,420)
(Loss)/Profit for the financial year		**(3,712,094)**	**1,452,833**	**338,107**	**817,636**
Attributable to:					
Equity holders of the Company		(3,826,466)	1,340,715	338,107	817,636
Non-controlling interests		114,372	112,118	–	–
(Loss)/Profit for the financial year		**(3,712,094)**	**1,452,833**	**338,107**	**817,636**
(LOSS)/EARNINGS PER SHARE (SEN)					
Basic/Diluted	40	(127.22)	44.64		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
(Loss)/Profit for the financial year		(3,712,094)	1,452,833	338,107	817,636
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)	1,213	1,238	–	–
Financial investments at fair value through other comprehensive income ("FVOCI")					
– net unrealised gain on changes in fair value		93,242	69,337	–	–
Tax effect relating to components of other comprehensive income					
– defined benefit liability	15,27(b)(ii)	(291)	(297)	–	–
– financial investments at FVOCI	15	314	40	–	–
		94,478	70,318	–	–
Items that may be reclassified subsequently to statements of profit or loss					
Currency translation (loss)/gain on foreign operations		(13,675)	14,578	–	–
Cash flow hedge					
– gain/(loss) arising during the financial year		5,615	(18,306)	–	–
– reclassification adjustments for gain included in profit or loss		–	(66)	–	–
– amortisation of fair value changes for terminated hedges		9,130	(2,787)	–	–
Financial investments at FVOCI					
– net unrealised gain on changes in fair value		19,166	169,104	–	–
– net gain reclassified to profit or loss		(25,507)	(98,384)	–	–
– changes in expected credit losses	38	(14,392)	47,012	–	–
– foreign exchange differences		(5)	–	–	–
Tax effect relating to the components of other comprehensive (income)/loss					
– cash flow hedge	15	(3,539)	5,078	–	–
– financial investments at FVOCI	15	1,691	(31,414)	–	–
Share of reserve movements in equity accounted joint ventures		(1,030)	(354)	–	–
		(22,546)	84,461	–	–
Other comprehensive income for the financial year, net of tax		71,932	154,779	–	–
Total comprehensive (loss)/income for the financial year		(3,640,162)	1,607,612	338,107	817,636
Total comprehensive (loss)/income for the financial year attributable to:					
Equity holders of the Company		(3,754,986)	1,495,033	338,107	817,636
Non-controlling interests		114,824	112,579	–	–
		(3,640,162)	1,607,612	338,107	817,636

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2021

Group	Note	Attributable to Equity Holders of the Company												
			Non-Distributable								Distributable			
										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	Total RM'000	Non-controlling interests RM'000	Total equity 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)(4)(i)	100,000	–	–	–	–	–	–	–	–	(100,000)	–	–	–
Dividend accrued for ESS shares		–	–	–	–	–	–	–	–	–	(1,001)	(1,001)	–	(1,001)
Return of capital by a subsidiary	16(a)(4)(ii)	–	–	–	–	–	–	–	–	–	–	–	(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 COMPREHENSIVE INCOME

For the financial year ended 31 March 2021

Group	Note	Attributable to Equity Holders of the Company										Non-controlling interests RM'000	Total equity RM'000
			Non-Distributable							Distributable			
									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	Treasury shares RM'000	Non-participating funds RM'000	RM'000	Total RM'000		
At 1 April 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
(Loss)/Profit for the financial year		–	–	–	–	–	–	–	–	(3,826,466)	(3,826,466)	114,372	(3,712,094)
Other comprehensive income/(loss), net		–	–	73,479	11,206	(13,675)	–	–	–	470	71,480	452	71,932
Total comprehensive income/(loss) for the financial year		–	–	73,479	11,206	(13,675)	–	–	–	(3,825,996)	(3,754,986)	114,824	(3,640,162)
Buy-back of shares		–	–	–	–	–	–	(4,588)	–	–	(4,588)	–	(4,588)
Share-based payment under ESS, net		–	–	–	–	–	39,275	–	–	–	39,275	–	39,275
ESS shares vested to employees		–	–	–	–	–	(12,069)	10,534	–	1,535	–	–	–
Transfer from regulatory reserve*		–	(387,528)	–	–	–	–	–	–	387,528	–	–	–
Transfer from retained earnings arising from redemption of preference shares by a subsidiary	16(a)(3)(ii)	100,000	–	–	–	–	–	–	–	(100,000)	–	–	–
Return of capital by a subsidiary	16(a)(3)(v)	–	–	–	–	–	–	–	–	–	–	(49,000)	(49,000)
Dividends paid	41	–	–	–	–	–	–	–	–	(219,696)	(219,696)	(95,510)	(315,206)
Transactions with owners and other equity movements		100,000	(387,528)	–	–	–	27,206	5,946	–	69,367	(185,009)	(144,510)	(329,519)
At 31 March 2021		5,951,557	–	708,790	(16,949)	94,992	67,778	(20,970)	45,715	7,809,864	14,640,777	949,582	15,590,359

* Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

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

Company	Note	Attributable to Equity Holders of the Company				
			Non-Distributable		Distributable	
		Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2020		5,550,250	40,572	(26,916)	4,341,788	9,905,694
Profit for the financial year		–	–	–	338,107	338,107
Total comprehensive income for the financial year		–	–	–	338,107	338,107
Buy-back of shares		–	–	(4,588)	–	(4,588)
Share-based payment under ESS, net		–	39,275	–	–	39,275
ESS shares vested to employees		–	(12,069)	10,534	1,535	–
Dividends paid	41	–	–	–	(219,696)	(219,696)
Transactions with owners and other equity movements		–	27,206	5,946	(218,161)	(185,009)
At 31 March 2021		5,550,250	67,778	(20,970)	4,461,734	10,058,792

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation and zakat		(3,483,499)	1,782,856	339,639	819,056
Adjustments for:					
Amortisation of fair value changes on terminated hedges	9	9,130	(2,787)	–	–
Amortisation of intangible assets	35	110,695	108,908	–	–
Amortisation of issuance costs and premium for term funding	25	5,830	4,293	–	–
Net accretion of discount for securities		(65,135)	(89,821)	–	–
Gain on liquidation of a subsidiary	34	(2,457)	–	–	–
Depreciation of property and equipment	35	69,892	62,866	115	219
Depreciation of right-of-use assets	35	82,342	81,210	–	–
Interest on lease liabilities	35	12,191	10,141	–	–
Provision for reinstatement of leased properties	35	141	307	–	–
Gain on disposal of properties and equipment		(145)	(1,635)	(38)	(103)
Dividend income	34	(3,689)	(7,806)	(354,260)	(851,836)
(Writeback of)/Allowances for impairment on financial investments	38	(8,476)	46,528	–	–
Impairment loss on investment in associate	17	147,819	–	–	–
Impairment of goodwill	21(a)	1,789,153	–	–	–
Impairment loss on subsidiary	16(a)(4)(iii)	–	–	–	12,888
Writeback for impairment loss of other financial assets and insurance receivables	38,52(IV),(VI)	(6,540)	(9,910)	–	–
Property and equipment written off		102	61	–	–
Allowance for expected credit losses on loans, advances and financing, net	37	1,468,550	666,412	–	–
Net loss/(gain) on revaluation of derivatives		101,411	(197,119)	–	–
Unrealised loss/(gain) on revaluation of hedged item arising from fair value hedge	9	6,177	(14,479)	–	–
Net gain on sale of financial assets at fair value through profit or loss		(292,893)	(52,111)	–	–
Net gain on sale of financial investments at fair value through other comprehensive income		(25,507)	(98,384)	–	–
Net gain on redemption of financial investments at amortised cost	34	(3,413)	(11,676)	–	–
(Gain)/loss on disposal of foreclosed properties	34	(540)	1	–	–
Net (gain)/loss on revaluation of financial assets at fair value through profit or loss		(65,713)	19,240	–	–
Allowances for/(Writeback of) expected credit losses on commitments and contingencies	27(d)	45,407	(21,777)	–	–
Writeback of provision for commitments and contingencies	27(c)	(810)	(490)	–	–
Scheme shares granted under Executives' Share Scheme ("ESS")	35	39,452	35,263	–	–
Share in results of associates and joint ventures		(43,813)	3,140		
Net adjustments of COVID-19 relief measures		(41,317)	–	–	–
Unrealised foreign exchange (gain)/loss on term funding	25(c) and (d)	(16,933)	38,267	–	–
Settlement	57	2,830,000	–	–	–
Remeasurement of right-of-use assets	20	(14,049)	7,663	–	–
Remeasurement of lease liabilities	27(e)	14,105	(1,736)	–	–
Remeasurement of provision for reinstatement	27(f)	(318)	–	–	–
Operating profit/(loss) before working capital changes carried forward		2,657,150	2,357,425	(14,544)	(19,776)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		2,657,150	2,357,425	(14,544)	(19,776)
Decrease/(Increase) in operating assets:					
Deposits and placements with banks and other financial institutions		(9,123)	3,283	–	–
Financial assets at fair value through profit or loss		3,393,602	6,919,750	(26)	(34)
Loans, advances and financing		(8,300,005)	(6,073,320)	–	–
Statutory deposits with Bank Negara Malaysia		63,728	2,666,535	–	–
Other assets		500,104	(721,352)	(1,831,567)	700
Reinsurance assets and other insurance receivables		31,430	76,243	–	–
Increase/(Decrease) in operating liabilities:					
Deposits from customers		7,576,475	6,050,722	–	–
Investment accounts of customers		(113,892)	(144,725)	–	–
Deposits and placements of banks and other financial institutions		74,348	2,334,202	–	–
Securities sold under repurchase agreements		(5,542,538)	1,013,287	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad		2,134,995	481,671	–	–
Term funding		(740,766)	(1,175,575)	–	–
Other liabilities		(896,729)	235,449	2,863,246	49,814
Insurance contract liabilities and other insurance payables		(157)	(214,085)	–	–
Cash generated from operations		828,622	13,809,510	1,017,109	30,704
Taxation and zakat paid, net		(320,745)	(475,776)	(212)	(2,021)
Net cash generated from operating activities		507,877	13,333,734	1,016,897	28,683
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal/(Purchase) of financial investments		2,715,005	(3,431,761)	–	–
Dividend income received from other investments	34	3,689	7,806	–	–
Proceeds from disposal of property and equipment		3,612	438	191	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	–	–
Purchase of property and equipment	19	(39,707)	(58,436)	–	–
Purchase of intangible assets	21	(92,416)	(87,358)	–	–
Dividend received from subsidiaries	34	–	–	354,260	851,836
Subscription of shares in subsidiary	16(a)(3)(i)	–	–	(780,000)	–
Purchase of treasury shares	29(f)	(4,588)	(26,916)	(4,588)	(26,916)
Dividend received from associate		5,303	7,321	–	–
Net cash generated from/(used in) investing activities		2,590,898	(3,560,940)	(430,137)	844,246

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend refunded by Trustee for ESS shares not vested		–	1,293	–	1,293
Repayment of Innovative Tier 1 Capital	26(b)	–	(485,000)	–	–
Proceeds from issuance of Subordinated Notes/Sukuk (net)	26(a)	550,000	–	–	–
Repayment of lease liabilities	27(e)	(90,923)	(81,522)	–	–
Dividends paid by the Company to its shareholders	41	(219,696)	(632,965)	(219,696)	(632,965)
Dividends paid to non-controlling interests		(95,510)	(83,810)	–	–
Return of capital to non-controlling interest		(49,000)	(49,000)	–	–
Net cash generated from/(used in) financing activities		94,871	(1,331,004)	(219,696)	(631,672)
Net increase in cash and cash equivalents		3,193,646	8,441,790	367,064	241,257
Cash and cash equivalents at beginning of the financial year		15,711,919	7,270,046	322,262	81,005
Effect of exchange rate changes		191	83	–	–
Cash and cash equivalents at end of the financial year (Note a)		18,905,756	15,711,919	689,326	322,262

Note a: Cash and Cash Equivalents

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

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and short-term funds	6	18,809,478	15,611,728	689,326	322,262
Deposits and placements with banks and other financial institutions	8	103,028	98,845	–	–
		18,912,506	15,710,573	689,326	322,262
Less: Deposits with original maturity of more than 3 months	8	(9,123)	–	–	–
		18,903,383	15,710,573	689,326	322,262
Add:					
Allowances for expected credit loss ("ECL") for cash and cash equivalents	6 and 8	2,373	1,346	–	–
Cash and cash equivalents		18,905,756	15,711,919	689,326	322,262

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

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

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 28 April 2021.

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.

In the preparation of these financial statements, the management of the Group and the Company have made an assessment of the ability of the Group and the Company to continue as a going concern. From the assessment, the management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern, hence these financial statements have been prepared on a going concern basis.

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 47.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021.

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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

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.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(a) Business combinations and goodwill (cont'd.)

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, the difference is recognised directly in profit or loss as a bargain purchase.

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.

(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 statements 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 statements 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(c) Investment in associates and joint ventures (cont'd.)

The aggregate of the Group's share of profit or loss of the associates and joint ventures is shown on the face of the statements 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.

(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 statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(e) Foreign currencies (cont'd.)

(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.

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. Work-in-progress which are not yet available for use are 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%

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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). Where applicable, the cost of right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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.

(ii) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial instruments – initial recognition and measurement (cont'd.)

(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) 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").

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Debt instruments (cont'd.)

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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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(x)).

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(l) Derecognition of financial instruments (cont'd.)

(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 statements of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statements 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 statements 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 statements 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 statements 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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 50.

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 50.

(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 49.2.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(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 49.2 for further analysis of collateral).

(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(o). 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(q) Hedge accounting (cont'd.)

(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.

(r) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(s) Impairment of non-financial assets (cont'd.)

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) 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 3 months or less and net of outstanding bank overdrafts.

(u) 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 54. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) 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.

(w) 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.

(x) 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)).

(y) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(A) Recognition of income and expenses relating to financial instruments (cont'd.)

(i) Interest/financing income and similar income and expense (cont'd.)

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.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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.

(z) 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.)

(z) 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.)

(aa) 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.

(ab) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ab) Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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.

(ac) 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.

(ad) 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.

(ae) 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.

(af) 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.

(ag) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ah) 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.

(ai) 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 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 claims paid with claims payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk and not 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.

(aj) 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 or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ak) 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.

(al) 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 the 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 cedents 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(am).

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(am) 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.

(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. 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.

(an) Government grant

A government grant is recognised only when there is a reasonable assurance that the grant will be received and all attached conditions will be met. It is measured at its fair value and is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The benefit of a government loan at a below-market rate of interest, measured as the difference between the fair value of the loan and proceeds received, is similarly treated as a government grant.

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 amendments to published standards:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4)
- Early adoption of COVID-19-Related Rent Concessions (Amendment of MFRS 16) and COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment of MFRS 16)

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Group and of the Company. 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.

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

(a) 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"). 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 adoption of these amendments did not result in any impact to the financial statements of the Group and the Company.

(b) 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 adoption of these amendments did not result in any impact as there was no business combination or asset acquisition that occurred during the current financial year.

(c) 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 adoption of these amendments did not result in any impact to the financial statements of the Group and the Company.

(d) 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 no longer present.

The relief provided by the amendments requires the Group to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Group now assumes 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 in its hedge effectiveness assessments.

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

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

The nature of the amendments to published standards relevant to the Group and the Company are described below: (cont'd.)

(e) Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4)

The amendments extended the temporary exemption that allows insurers to continue to apply MFRS 139 *Financial Instruments: Recognition and Measurement* (instead of adopting MFRS 9 *Financial Instruments*) if their activities are "predominantly connected with insurance" by another 2 years, in light of the deferral of the 2-year deferral of the effective date of MFRS 17 *Insurance Contracts* to annual periods beginning on or after 1 January 2023.

As the life assurance and family takaful joint ventures of the Group have applied the temporary exemption and have deferred their respective MFRS 9 adoption, the Group will continue to apply the exemption from applying uniform accounting policies when applying the equity method under MFRS 128 *Investments in Associates and Joint Ventures* to account for its investment in these joint ventures. This exemption will continue to be applied by the Group up to the financial year ending 31 March 2023.

(f) Early adoption of COVID-19-Related Rent Concessions (Amendment of MFRS 16) and COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment of MFRS 16)

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The amendments apply to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022.

While the amendment does not have to be applied until the financial year ending 31 March 2023, the Group adopted the amendment early as the Group has received rent concessions from the lessors of certain premises as a direct consequence of the COVID-19 pandemic and the ensuing Movement Control Order enforced by the Government of Malaysia.

The Group has applied the practical expedient to all of the rent concessions received. Accordingly, the rent concessions were not accounted for as lease modifications. The benefit from the rent concessions received, which amounted to approximately RM322,700 had been credited to the statements of profit or loss during the current financial year.

3.2 Standards issued but not yet effective

The following are new standard 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
– Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)	1 January 2022
– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137)	1 January 2022
– Reference to the Conceptual Framework (Amendments to MFRS 3)	1 January 2022
– Annual Improvements to MFRS Standards 2018-2020	1 January 2022
– MFRS 17 *Insurance Contracts*	1 January 2023
– Amendments to MFRS 17	1 January 2023
– Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)	1 January 2023
– Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
– Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
– 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

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

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

The nature of the new standard and amendments to published standards that are issued 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 2022

Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

The amendments address issues that arise from the implementation of interest rate benchmark reforms, focusing on issues that affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR").

The amendments, among others, include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. In applying the practical expedient, an entity is required to first identify and account for modifications to the instrument by updating the effective interest rate without adjusting the carrying amount. As a result, no immediate gain or loss is recognised.

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The discontinuation of London Interbank Offer Rate ("LIBOR") by end 2021 and the transition to alternative RFRs could pose challenges to the Group as the transition away from LIBOR is expected to bring about significant legal, valuation, accounting, risk management and system implication.

Bank Negara Malaysia ("BNM") has established key signposts to ensure that banks adequately prepare for and manage a smooth transition away from LIBOR. These include key timelines to be adhered to for engagement with customers to renegotiate contracts and incorporate fallback provisions in loan and derivative contracts, completion of the assessment on operational readiness and capability to support products referenced to RFRs and resolution of all residual risks and impediments to issue products referenced to RFRs.

The Group has established a LIBOR transition programme that is overseen by the LIBOR Project Steering Committee ("PSC") chaired by the Group Chief Financial Officer, with the Deputy Managing Director of Wholesale Banking/Head of Group Treasury Markets as his alternate chairperson. The programme is executed by a project working group comprising 6 workstreams to comprehensively manage and coordinate the specific LIBOR transition activities, including the identification of all products and contracts in scope of benchmark reform, communication with customers for repricing and/or re-papering of LIBOR referenced contracts and incorporation of the relevant fallback provisions in the contracts, upgrading of internal systems to support the alternative RFR product suite, as well as ensuring operational readiness (including Shariah compliance). These workstreams actively participate in industry-wide working group discussions, attend seminars/conferences/briefings to ensure the project working group members are kept informed of the latest developments and adopt consistent approaches of other market participants. Group Management Committee, Risk Management Committee and the Board of Directors of the three banking subsidiaries of the Company are regularly briefed on the progress of this programme.

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

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)

The amendments clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset, and prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such samples, together with the costs of producing them, shall be recognised in profit or loss.

The amendments are applied retrospectively from annual reporting period beginning on or after 1 January 2022 but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Early adoption is permitted.

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

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

(ii) Amendments to published standards effective for financial year ending 31 March 2023 (cont'd.)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137)

The amendments explain that the direct cost of fulfilling a contract for the purpose of determining the unavoidable costs of meeting the entity's contractual obligations comprises the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an asset used to fulfil the contract). The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendments are applied from annual reporting period beginning on or after 1 January 2022 to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments without restatement of comparative information. The cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. Early adoption is permitted.

Reference to the Conceptual Framework (Amendments to MFRS 3)

The amendments updated MFRS 3 *Business Combinations* to refer to the revised *Conceptual Framework for Financial Reporting* ("Conceptual Framework") in order to determine what constitutes an asset or a liability in a business combination. In addition, a new exception is added in MFRS 3 in connection with liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying MFRS 3 should instead refer to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* or IC Interpretation 21 *Levies*, rather than the Conceptual Framework.

The amendments are applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

Annual Improvements to MFRS Standards 2018-2020

The Annual Improvements to MFRS Standards 2018-2020 include minor amendments affecting 4 MFRSs, as summarised below:

(1) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

When a subsidiary adopts MFRS at a later date than its parent, MFRS 1 permits the subsidiary to measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to MFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. The amendment expanded the above by allowing the subsidiary to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to MFRS.

The amendment to MFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same MFRS 1 exemption.

(2) MFRS 9 *Financial Instruments*

The amendment clarified that costs or fees paid to third parties shall not be included in the 10% test for derecognition of financial liabilities.

(3) MFRS 16 *Leases*

An illustrative example that accompanies MFRS 16 has been amended to remove the illustration of payments from the lessor relating to leasehold improvements to overcome any potential confusion about the treatment of lease incentives.

(4) MFRS 141 *Agriculture*

The amendment removed the requirement for entities to exclude cash flows for taxation when measuring fair value to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

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

(iii) New standard and amendments to published standards effective for financial year ending 31 March 2024

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17

MFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure which supersedes MFRS 4 *Insurance Contracts*.

MFRS 17 requires a general measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted fulfilment 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.

For insurance contracts with direct participation features, the CSM is measured using the variable fee approach to deduct a variable fee comprising the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns of the underlying items.

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 reporting periods beginning on or after 1 January 2023. Early application is permitted, provided MFRS 9 is 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.

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 2023. 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.

Disclosure of Accounting Policies (Amendments to MFRS 101)

The amendments require entities to disclose material accounting policies rather than significant accounting policies in the financial statements. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

An accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the users make based on those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Immaterial accounting policy information need not be disclosed.

The amendments are applied from annual reporting period beginning on or after 1 January 2023. Early adoption is permitted.

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

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

(iii) New standard and amendments to published standards effective for financial year ending 31 March 2024 (cont'd.)

Definition of Accounting Estimates (Amendments to MFRS 108)

The amendments redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty" and provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates.

The amendments further clarify that effects of a change in an input or measurement technique used to develop an accounting estimate (for example, expected credit losses, fair value of an asset or liability, and depreciation for property and equipment) is a change in accounting estimate, if they do not arise from prior period errors.

The amendments are applied from annual reporting period beginning on or after 1 January 2023. Early adoption is permitted.

(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

(a) Additional Measures from Bank Negara Malaysia ("BNM") to Assist Borrowers/Customers Affected by the COVID-19 Pandemic

Further to the initial letter on 24 March 2020, BNM had issued another letter on 24 July 2020 which introduced additional relief measures in the form of targeted repayment assistance to the borrowers/customers experiencing temporary financial constraints due to COVID-19. The additional measures are payment assistances targeted to the B40 individuals and microenterprises. These measures are focused for borrowers/customers who experienced loss of job, and for individuals and SMEs whose incomes have been impacted by the pandemic.

The assistance were extended to facilities approved before 1 October 2020 which are not past due for more than 90 days at the time the borrowers/customers request for the repayment assistance. The additional repayment assistance will be available to eligible borrowers/customers until 30 June 2021.

The repayment assistance does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indication evidence of significant increase in credit risk ("SICR"). Judgement and more holistic assessment of all relevant indicators and information, such as historical repayment and delinquency trend pre-COVID-19 pandemic, are applied in determining SICR. In addition, the loan/financing that is approved under repayment assistance is exempted to be reported as rescheduling and restructuring ("R&R") and credit impaired in the Central Credit Reference Information System ("CCRIS").

(b) BNM policy documents on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components)

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

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS (CONT'D.)

(b) BNM policy documents on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) (cont'd.)

The Group had elected to apply the transitional arrangements on provision for ECL for four financial years beginning on 1 January 2020; starting from the reporting period as at 31 December 2020.

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

i. The determination of "days past due" should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;

ii. For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on "unlikeliness to pay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

iii. For loans/financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

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 52)

The measurement of the ECL allowances for loans, 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 49.2 (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.

Under the government support measures to assist borrowers and customers adversely impacted by the COVID-19 pandemic, the moratorium on repayment/payment of loans/financing does not automatically result in stage transfer under MFRS 9 *Financial Instruments* ("MFRS 9") in the absence of other factors relevant to the assessment. Effective 1 October 2020, with the extension of repayment assistance, this should not automatically result in a stage transfer under MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk ("SICR"). The Group is applying experienced credit judgement to assess SICR and is applying forward-looking overlay adjustments on ECL estimates to account for heightened uncertainty for those customers under extended repayment assistance.

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

5.2 Lease term of agreements with renewal options (Note 20)

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 21)

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)

The Group's income tax expense, deferred tax assets and liabilities reflect management's best estimate of current and future taxes to be paid.

Deferred tax assets are recognised in respect of unabsorbed capital allowances and other temporary differences to the extent that it is probable that future taxable profit will be available against which the unabsorbed capital allowances and other temporary differences 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. Such estimate involves dealing with uncertainties in the application on the tax treatment of certain income or expenses that requires interpretation of the provisions in the income tax act of the relevant tax authorities. Liabilities for taxation are recognised based on estimates as to whether the payment of additional tax is probable. Management may seek experts' advice for such complex areas. As there is significant judgement and estimation uncertainty involved in determining provision for income taxes, the actual tax liability payable to the relevant tax authorities for the relevant year of assessment may be materially different from the amounts that were initially recorded; and such differences, if any, will be reflected as adjustments of over or under provisions of income tax and deferred tax provision in the period in which the estimate is revised or when the final tax liability is established.

5.5 Fair value measurement of financial instruments (Notes 9, 10, 11 and 50)

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 21)

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

5.7 General insurance business – valuation of general insurance contract liabilities (Note 52(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 52 (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 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	1,980,207	2,484,253	689,326	322,262
Deposits and placements maturing within one month:				
Licensed banks	3,107,446	378,474	–	–
Bank Negara Malaysia	13,530,000	12,386,220	–	–
Other financial institutions	194,156	363,642	–	–
	16,831,602	13,128,336	–	–
	18,811,809	15,612,589	689,326	322,262
Less: Allowances for ECL	(2,331)	(861)	–	–
	18,809,478	15,611,728	689,326	322,262

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

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	Total RM'000
2020				
Balance at beginning of the financial year		1,320	31	1,351
Net writeback of 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		71	–	71
Net remeasurement of allowances		(336)	2	(334)
Foreign exchange differences		21	1	22
Balance at end of the financial year		833	28	861

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year		833	28	861
Net allowances for/(writeback of) ECL	38	1,500	(7)	1,493
Transfer from deposits and placements with banks and other financial institutions	8	4,598	–	4,598
New financial assets originated		763	–	763
Financial assets derecognised		(3,236)	–	(3,236)
Changes in model assumptions and methodologies		(71)	–	(71)
Net remeasurement of allowances		(554)	(7)	(561)
Foreign exchange differences		(23)	–	(23)
Balance at end of the financial year		2,310	21	2,331

The increase in carrying amount of the Group's deposits and placements with foreign licensed banks had increased the allowances for ECL by RM1,470,000.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits and placements with licensed banks maturing more than one month:				
Licensed banks	103,070	99,330	–	–
Less: Allowances for ECL	(42)	(485)	–	–
	103,028	98,845	–	–
Of which deposits and placements with original maturity of:				
Three months or less	93,947	99,330	–	–
More than three months	9,123	–	–	–
	103,070	99,330	–	–

Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-month ECL RM'000
2020		
Balance at beginning of the financial year		2,075
Net writeback of 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		375
Balance at end of the financial year		485

Group	Note	Stage 1 12-month ECL RM'000
2021		
Balance at beginning of the financial year		485
Net writeback of ECL	38	(443)
Transfer to cash and short-term funds	6	(4,598)
New financial assets originated		4,526
Net remeasurement of allowances		4
Changes in model assumptions and methodologies		(375)
Balance at end of the financial year		42

The decrease is mainly due to reversal of forward-looking ("FL") ECL overlay of RM375,000 provided in the previous financial year and decrease in the Group's foreign currencies placements at the end of the financial year due to transfer to cash and short-term funds which had correspondingly resulted in decrease of allowances for ECL in Stage 1.

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	2021 Contract/ Notional Amount RM'000	2021 Fair Value Assets RM'000	2021 Fair Value Liabilities RM'000	2020 Contract/ Notional Amount RM'000	2020 Fair Value Assets RM'000	2020 Fair Value Liabilities RM'000
Trading derivatives						
Interest/Profit rate related contracts:	45,289,858	624,513	674,371	52,282,175	904,576	1,018,349
– One year or less	13,436,363	39,872	54,341	9,748,960	31,565	35,216
– Over one year to three years	19,130,217	240,773	288,511	23,674,467	282,051	306,685
– Over three years	12,723,278	343,868	331,519	18,858,748	590,960	676,448
Foreign exchange related contracts:	56,479,420	642,697	536,032	44,371,910	947,441	680,939
– One year or less	47,993,667	317,249	304,083	34,805,859	559,303	401,710
– Over one year to three years	4,282,828	125,489	81,846	4,529,891	136,246	133,423
– Over three years	4,202,925	199,959	150,103	5,036,160	251,892	145,806
Credit related contracts:	347,950	1,347	910	356,069	1,954	665
– One year or less	347,950	1,347	910	–	–	–
– Over one year to three years	–	–	–	356,069	1,954	665
Equity and commodity related contracts:	1,519,073	22,633	36,508	1,769,895	223,310	226,193
– One year or less	1,434,391	17,412	31,434	1,637,855	206,284	209,063
– Over one year to three years	14,350	410	263	58,823	9,219	9,319
– Over three years	70,332	4,811	4,811	73,217	7,807	7,811
	103,636,301	1,291,190	1,247,821	98,780,049	2,077,281	1,926,146
Hedging derivatives						
Interest rate related contracts:						
Interest rate swaps:						
Cash flow hedge	115,000	–	1,654	715,000	–	7,269
– One year or less	115,000	–	1,654	600,000	–	4,121
– Over one year to three years	–	–	–	115,000	–	3,148
Fair value hedge	350,000	–	20,334	350,000	–	26,688
– Over three years	350,000	–	20,334	350,000	–	26,688
Total	104,101,301	1,291,190	1,269,809	99,845,049	2,077,281	1,960,103

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 49.

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.

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

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

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).

(i) Fair value hedge

The Group's fair value hedges principally consist of 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 profit 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.

Profit 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 profit 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 profit rate swaps.

Only the profit rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The profit rate risk component is determined as the change in fair value of the long-term fixed rate financial investments (e.g. sukuk) 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 profit 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 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 within 1 year (2020: 2 years). All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. No ineffectiveness recognised in profit or loss during the financial year in respect of cash flow hedges (2020: gain of RM66,000) for the Group.

In the previous 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 loss amortised during the current financial year was RM9,130,000 (2020: fair value gain of RM2,787,000).

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:

Group	Maturity				
	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
2021					
Fair value hedge					
– Profit rate risk					
Profit rate swap					
Notional	–	–	–	–	350,000
Average floating profit rate	–	–	–	–	3.00%
Cash flow hedge					
– Interest rate risk					
Interest rate swap					
Notional	–	–	115,000	–	–
Average fixed interest rate	–	–	4.02%	–	–

Group	Maturity				
	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
2020					
Fair value hedge					
– Profit rate risk					
Profit rate swap					
Notional	–	–	–	–	350,000
Average floating profit 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%	–

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	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
2021				
Fair value hedge				
Profit rate risk				
– Profit rate swaps	350,000	–	(20,334)	6,354
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	115,000	–	(1,654)	5,615

Group	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
2020				
Fair value hedge				
Profit rate risk				
– Profit rate swaps	350,000	–	(26,688)	(15,347)
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	715,000	–	(7,269)	19,971

(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	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	(28,155)	(12,074)
Interest rate risk:		
– effective portion of changes in fair value of interest rate swaps	5,615	(18,306)
– reclassification adjustments for gain included in profit or loss	–	(66)
– amortisation of fair value changes for terminated hedge	9,130	(2,787)
– tax effect	(3,539)	5,078
Balance at end of the financial year	(16,949)	(28,155)

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	Changes in fair value used for calculating hedge ineffectiveness 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
2021								
Fair value hedge								
Profit rate risk								
– Unquoted sukuk	366,293	–	20,445	–	Financial investments at FVOCI	(6,177)	–	–
Cash flow hedge								
Interest rate risk								
– Deposits	–	(115,000)	–	–	Deposits from customers	(5,615)	(1,654)	–

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	Changes in fair value used for calculating hedge ineffectiveness 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
2020								
Fair value hedge								
Profit 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)

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	(Loss)/Gain 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 cash flows 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
2021						
Fair value hedge						
Profit rate risk						
– Unquoted sukuk	(6,177)	177	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	5,615	–	Other operating income	–	–	–

Group	(Loss)/Gain 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 cash flows 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
2020						
Fair value hedge						
Profit rate risk						
– Unquoted sukuk	14,479	(868)	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	(18,306)	66	Other operating income	–	–	–

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	555,998	606,027	–	–
Malaysian Islamic Treasury Bills	2,544,432	886,554	–	–
Malaysian Government Securities	223,501	2,712,517	–	–
Malaysian Government Investment Issues	707,527	2,970,436	–	–
Cagamas bonds	84,891	101,883	–	–
Bank Negara Monetary Notes	–	1,348,320	–	–
	4,116,349	8,625,737	–	–
Quoted Securities:				
In Malaysia:				
Shares	541,084	330,662	–	–
Unit trusts	196,896	227,426	1,104	1,078
Corporate bonds and sukuk	37,538	37,500	–	–
Outside Malaysia:				
Shares	542,202	80,588	–	–
	1,317,720	676,176	1,104	1,078
Unquoted Securities:				
In Malaysia:				
Shares	34	2,766	–	–
Corporate bonds and sukuk	4,127,871	3,241,178	–	–
	4,127,905	3,243,944	–	–
Total	9,561,974	12,545,857	1,104	1,078

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	Group 2021 RM'000	Group 2020 RM'000
At Fair Value			
Money Market Instruments:			
Malaysian Government Securities ("MGS")		3,360,666	3,195,317
Malaysian Government Investment Issues ("MGII")		3,777,222	4,990,309
Negotiable Instruments of Deposit		50,031	–
Islamic Negotiable Instruments of Deposit		399,386	299,544
Foreign Government Securities		74,044	–
		7,661,349	8,485,170
Unquoted Securities:			
In Malaysia:			
Shares	(i)	686,262	593,049
Corporate bonds and sukuk		9,391,913	10,436,822
Outside Malaysia:			
Shares	(i)	530	501
Corporate bonds and sukuk		46,144	207,359
		10,124,849	11,237,731
Total		17,786,198	19,722,901

The Group had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (2020: RM350.0 million). The gain/(loss) arising from the fair value hedge is as follows:

	Group 2021 RM'000	Group 2020 RM'000
Relating to hedged item	(6,177)	14,479
Relating to hedging instrument	6,354	(15,347)
	177	(868)

BNM had issued a policy document *Statutory Reserve Requirements* on 27 March 2020 whereby licensed banking institutions as Principal Dealer and Islamic Principal Dealer, are given flexibility to recognise holdings of MGS and MGII of up to RM1.0 billion as part of their balances in Statutory Reserve Account ("SRA") with BNM. The above flexibility accorded by BNM is up to 31 March 2021. Subsequently, on 15 May 2020, BNM had issued a revised version of the same policy document whereby effective 16 May 2020, the SRA balances can be held entirely in MGS and MGII and this flexibility to all banking institutions is available until 31 May 2021 which is subsequently extended to 31 December 2022 as announced by BNM on 20 January 2021.

As at 31 March 2021, the Group had recognised a total carrying amount of RM1.95 billion (RM1.85 billion in nominal value) (2020: RM1.63 billion (RM1.53 billion in nominal value)) of MGS and MGII for statutory reserve requirement purposes.

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

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
2020					
Balance at beginning of the financial year		11,872	21,830	–	33,702
Net 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		4,246	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

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year		16,020	16,449	32,469
Net writeback of ECL	38	(4,790)	(9,602)	(14,392)
– Transfer to 12-month ECL (Stage 1)		150	(557)	(407)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(11)	19	8
– Transfer to Lifetime ECL credit impaired (Stage 3)		–	–	–
New financial assets originated		4,877	–	4,877
Financial assets derecognised		(5,500)	(4,049)	(9,549)
Net remeasurement of allowances		(60)	(2,599)	(2,659)
Changes in model assumptions and methodologies		(4,246)	(2,416)	(6,662)
Foreign exchange differences		(6)	–	(6)
Balance at end of the financial year		11,224	6,847	18,071

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

– 12-month ECL (Stage 1) – decrease of RM4,796,000 mainly due to derecognition of financial assets and reversal of FL ECL overlay provided in the previous financial year; partially offset by ECL for new financial assets originated.

– Lifetime ECL not credit impaired (Stage 2) – decrease of RM9,602,000 mainly due to derecognition of financial assets, reversal of FL ECL overlay provided in the previous financial year and net remeasurement of allowances.

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

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

Group	2021 Carrying value RM'000	2021 Dividend income (Note 34) RM'000	2020 Carrying value RM'000	2020 Dividend income (Note 34) RM'000
Unquoted securities in Malaysia:				
Shares				
ABM Investments Sdn Bhd	1	34	29	–
Cagamas Holdings Berhad	408,303	2,413	340,533	2,413
Credit Guarantee Corporation Malaysia Bhd	86,519	–	80,102	–
Financial Park (Labuan) Sdn Bhd	82,013	600	81,896	800
Malaysia South-South Corporation Bhd	2,977	244	2,754	195
Malaysian Rating Corporation Berhad	2,444	160	2,230	80
Payments Network Malaysian Sdn Bhd	89,147	–	72,891	–
RAM Holdings Berhad	14,858	238	12,614	4,318
	686,262	3,689	593,049	7,806
Unquoted securities outside Malaysia:				
Shares				
S.W.I.F.T SCRL	530	–	501	–

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 2021 RM'000	Group 2020 RM'000
At Amortised Cost		
Money Market Instruments:		
Malaysian Government Investment Issues	402,577	432,436
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	3,800,677	4,425,291
	4,203,254	4,857,727
Less: Allowances for ECL	(10,830)	(4,914)
Total	4,192,424	4,852,813

12. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-month ECL RM'000
2020		
Balance at beginning of the financial year		5,398
Net writeback of ECL	38	(484)
Net remeasurement of allowances		(1,684)
Financial assets derecognised		(32)
Changes in model assumptions and methodologies		1,232
Balance at end of the financial year		4,914

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year		4,914	–	4,914
Net (writeback of)/allowances for ECL	38	(2,633)	8,549	5,916
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(1,688)	8,549	6,861
Net remeasurement of allowances		467	–	467
Financial assets derecognised		(180)	–	(180)
Changes in model assumptions and methodologies		(1,232)	–	(1,232)
Balance at end of the financial year		2,281	8,549	10,830

The movement in ECL during the current financial year was mainly due to transfer to Stage 2 of counterparties partly offset by reversal of FL ECL overlay provided in the previous financial year.

13. LOANS, ADVANCES AND FINANCING

		Group	
	Note	2021 RM'000	2020 RM'000
At Amortised Cost:			
Loans, advances and financing:			
Term loans/financing		35,573,645	31,486,276
Revolving credit		10,902,951	12,397,147
Housing loans/financing		36,326,944	32,865,466
Hire purchase receivables		14,389,969	14,307,814
Card receivables		1,923,253	2,105,014
Overdrafts		3,342,952	3,933,941
Claims on customers under acceptance credits		5,762,288	5,600,123
Trust receipts		2,116,982	1,857,065
Bills receivables		1,948,440	1,825,267
Staff loans		107,912	96,429
Others		2,363,172	744,068
Gross loans, advances and financing		114,758,508	107,218,610
Less: Allowances for ECL:			
– Stage 1 – 12-month ECL	(i)	(433,435)	(283,434)
– Stage 2 – Lifetime ECL not credit impaired	(i)	(1,312,123)	(539,633)
– Stage 3 – Lifetime ECL credit impaired	(i)	(534,631)	(444,613)
		(2,280,189)	(1,267,680)
Net loans, advances and financing		112,478,319	105,950,930

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

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Domestic banking institutions	–	13
Domestic non-bank financial institutions	2,054,636	2,490,613
Domestic business enterprises:		
– Small and medium enterprises	22,818,626	20,819,808
– Others	27,178,350	26,592,202
Government and statutory bodies	347,837	552,472
Individuals	61,019,803	55,707,058
Other domestic entities	9,363	11,633
Foreign individuals and entities	1,329,893	1,044,811
	114,758,508	107,218,610

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

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

	Group	
	2021 RM'000	2020 RM'000
In Malaysia	114,099,850	106,821,814
Outside Malaysia	658,658	396,796
	114,758,508	107,218,610

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

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Fixed rate:		
– Housing loans/financing	296,835	338,385
– Hire purchase receivables	13,803,709	13,609,560
– Other loans/financing	11,065,170	8,930,254
Variable rate:		
– Base rate and lending/financing rate plus	61,398,823	55,546,343
– Cost plus	26,578,475	27,802,366
– Other variable rates	1,615,496	991,702
	114,758,508	107,218,610

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

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

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	2,663,577	2,965,640
Mining and quarrying	2,939,335	2,490,867
Manufacturing	14,647,484	13,374,707
Electricity, gas and water	1,216,489	852,419
Construction	4,716,911	4,866,172
Wholesale and retail trade and hotels and restaurants	8,961,747	7,691,126
Transport, storage and communication	4,475,244	3,554,388
Finance and insurance	2,323,199	3,153,557
Real estate	7,723,535	8,128,066
Business activities	2,427,283	2,864,696
Education and health	1,022,470	932,574
Household of which:	61,615,459	56,317,955
– Purchase of residential properties	36,627,886	33,176,994
– Purchase of transport vehicles	13,076,102	12,948,120
– Others	11,911,471	10,192,841
Others	25,775	26,443
	114,758,508	107,218,610

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

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Maturing within one year	28,972,749	30,084,128
Over one year to three years	6,664,869	5,824,903
Over three years to five years	10,913,840	10,642,051
Over five years	68,207,050	60,667,528
	114,758,508	107,218,610

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

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

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	1,852,633	1,620,662
Additions during the financial year	990,213	1,490,510
Reclassified as non-impaired	(146,545)	(165,696)
Recoveries	(468,049)	(396,019)
Amount written off	(454,469)	(700,608)
Foreign exchange differences	(3,463)	3,784
Balance at end of the financial year	1,770,320	1,852,633
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.54%	1.73%
Loan loss coverage (including regulatory reserve)	135.61%	93.40%

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

	Group	
	2021 RM'000	2020 RM'000
In Malaysia	1,739,359	1,808,511
Outside Malaysia	30,961	44,122
	1,770,320	1,852,633

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

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

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	79,621	84,503
Mining and quarrying	37,955	53,591
Manufacturing	194,000	247,556
Electricity, gas and water	3,521	495
Construction	92,315	84,278
Wholesale and retail trade and hotels and restaurants	202,228	134,038
Transport, storage and communication	59,268	80,894
Finance and insurance	1,325	2
Real estate	312,785	314,347
Business activities	41,736	48,506
Education and health	6,548	10,187
Household of which:	739,018	794,236
– Purchase of residential properties	530,993	496,301
– Purchase of transport vehicles	67,717	156,555
– Others	140,308	141,380
	1,770,320	1,852,633

(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
2020					
Balance at beginning of the financial year		275,818	622,411	402,312	1,300,541
Net allowances 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		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) Movements in allowances for ECL are as follows: (cont'd.)

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
2021					
Balance at beginning of the financial year		283,434	539,633	444,613	1,267,680
Net allowances for ECL	37	150,186	772,586	545,778	1,468,550
– Transfer to 12-month ECL (Stage 1)		13,103	(74,841)	(2,407)	(64,145)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(32,749)	231,499	(19,028)	179,722
– Transfer to Lifetime ECL credit impaired (Stage 3)		(1,464)	(23,871)	202,720	177,385
New financial assets originated		65,080	171,250	11,381	247,711
Net remeasurement of allowances		44,322	181,040	458,735	684,097
Modification of contractual cash flows of financial assets		412	2,763	(4,425)	(1,250)
Financial assets derecognised		(39,672)	(57,680)	(100,862)	(198,214)
Changes in model assumptions and methodologies		101,154	342,426	(336)	443,244
Foreign exchange differences		(185)	(96)	(1,291)	(1,572)
Amount written off		–	–	(454,469)	(454,469)
Balance at end of the financial year		433,435	1,312,123	534,631	2,280,189

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

(a) 12-month ECL (Stage 1) – increase of RM150,001,000 mainly due to new financial assets originated, changes in model assumptions and methodologies and increase in net measurement of allowances; partially offset by financial assets derecognised and transfer to Stage 2.

(b) Lifetime ECL not credit impaired (Stage 2) – increase of RM772,490,000 mainly due to changes in model assumptions and methodologies, new financial assets originated, transfer to Stage 2 and net remeasurement of allowances; partially offset by transfer to Stage 1 and financial assets derecognised.

(c) Lifetime ECL credit impaired (Stage 3) – increase of RM90,018,000 mainly due to changes in credit risk and the transfer to Stage 3 due to deterioration in credit quality; partially offset by loans and advances written-off and derecognised.

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. The Statutory Reserve Requirement ("SRR") rate for banking industries is 2.0% of eligible liabilities.

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	
	2021 RM'000	2020 RM'000
Deferred tax assets	134,350	51,457
Deferred tax liabilities	(19,669)	(69,720)
	114,681	(18,263)

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

	Group	
	2021 RM'000	2020 RM'000
Deferred tax assets	304,910	160,448
Deferred tax liabilities	(190,229)	(178,711)
	114,681	(18,263)

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
2021				
Cash flow hedge reserve	8,891	–	(3,539)	5,352
Provision for commitments and contingencies	5,143	(4,284)	–	859
Provision for expenses	105,468	(9,608)	–	95,860
Allowances for ECL on:				
– financial assets	11,403	129,962	–	141,365
– commitments and contingencies	948	27	–	975
Other temporary differences	28,595	31,904	–	60,499
	160,448	148,001	(3,539)	304,910

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

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

Deferred tax assets (cont'd.)

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
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

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
2021				
Excess of capital allowance over depreciation and amortisation	27,731	12,957	–	40,688
Deferred charges	40,254	5,981	–	46,235
Intangible assets	36,110	(3,412)	–	32,698
Redeemable cumulative convertible preference share	14,314	(1,777)	–	12,537
Fair value reserve	46,996	7,008	(2,005)	51,999
Other temporary differences	13,306	(7,525)	291	6,072
	178,711	13,232	(1,714)	190,229

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
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

As at 31 March 2021, there is unabsorbed capital allowances which amounted to RM450,616,000 (2020: RM450,694,000) 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 2021

16. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

	Note	Company 2021 RM'000	Company 2020 RM'000
At cost			
Unquoted shares in Malaysia			
Balance at the beginning of the financial year		9,883,557	9,883,557
Subscription of new ordinary shares	16(a)(3)(i)	780,000	–
		10,663,557	9,883,557
Less: Impairment		(256,132)	(256,132)
Balance at the end of the financial year		10,407,425	9,627,425

(1) Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
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 ("AFM")	Fund management including management of unit trusts 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 [10]	Dormant	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd [8]	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]	Nominee services	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	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 [12]	Dormant	100.00	100.00
MBf Trustees Berhad [11]	Dormant	60.00	60.00

16. INVESTMENTS 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 2021 %	Effective equity interest 2020 %
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 [12]	Dormant	81.51	81.51
AmPremier Capital Berhad ("AmPremier") [9]	Dormant	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmCapital (B) Sdn Bhd [1]	Dormant	–	–
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AmFraser International Pte. Ltd. [3]	Dormant	–	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") [7]	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

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 under court liquidation was dissolved on 13 October 2019 (communicated by the Registry of Companies and Business Names Division of the Ministry of Finance and Economy of Brunei Darussalam via letter dated 10 May 2021).

[2] Subsidiary audited by a firm other than Ernst & Young PLT, Malaysia.

[3] Subsidiary commenced Members' Voluntary Liquidation on 30 August 2019 and was dissolved on 7 December 2020.

[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 commenced Members' Voluntary Liquidation on 27 March 2018.

[8] Subsidiary commenced Members' Voluntary Liquidation on 30 January 2019.

[9] Subsidiary commenced Members' Voluntary Liquidation on 25 October 2019.

[10] Subsidiary commenced Members' Voluntary Liquidation on 22 May 2020.

[11] Subsidiary commenced Members' Voluntary Liquidation on 17 September 2020.

[12] Subsidiaries commenced Members' Voluntary Liquidation on 31 March 2021.

16. INVESTMENTS 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) On 30 March 2021, the Company subscribed for the issuance of:

(a) 66,394,280 new ordinary shares by AmBank at an issue price of RM9.79 per ordinary share which amounted to RM650.0 million; and
(b) 114,035,088 new ordinary shares by AmInvestment Bank at an issue price of RM1.14 per ordinary share which amounted to RM130.0 million.

(ii) Redemption of preference shares

During the current financial year, AmGeneral Insurance Berhad redeemed 50% of its remaining outstanding Redeemable Non-Cumulative Convertible Preference Share ("RNCPS") which amounted to RM100.0 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.

(iii) Winding-up of subsidiaries

The following are the subsidiaries, at their Extraordinary General Meeting ("EGM") resolved that they be wound up by way of a member's voluntary winding up, pursuant to Section 439(1) of the Companies Act 2016 during the current financial year:

(a) AMMB Nominees (Tempatan) Sdn Bhd on 22 May 2020;
(b) MBF Trustee Berhad on 17 September 2020;
(c) Malco Properties Sdn Bhd on 31 March 2021; and
(d) MBf Nominees (Tempatan) Sdn Bhd on 31 March 2021.

The winding up the above subsidiaries do not have any material effect on the Group's earnings and net assets for the current financial year.

(iv) Dissolution of a subsidiary

The Group's non-operating subsidiary, AmFraser International Pte Ltd ("AmFraser"), under member's voluntary winding up was dissolved on 7 December 2020.

(v) Return of capital by a subsidiary

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.

(4) Transactions in the previous financial year are as follows:

(i) 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 of the Group pursuant to Section 72(5) of the Companies Act 2016.

(ii) 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.

(iii) 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.

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

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

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

(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.

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	
	2021 RM'000	2020 RM'000
NCI percentage of ownership interest and voting interest	49%	49%
Net carrying amount of NCI at beginning of the financial year	978,382	998,449
Share of net results	113,926	111,772
Share of other comprehensive income	452	461
Return of capital	(49,000)	(49,000)
	1,043,760	1,061,682
Dividends paid	(95,060)	(83,300)
Net carrying amount of NCI at end of the financial year	948,700	978,382
Total Assets	5,298,535	5,341,769
Total Liabilities	(3,363,322)	(3,345,980)
Net assets	1,935,213	1,995,789
Equity attributable to Owners of the Company	986,513	1,017,407
NCI	948,700	978,382

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

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

(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. (cont'd.)

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary (cont'd.)

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. (cont'd.)

(ii) Summarised statement of comprehensive income

	AMGH Group	
	2021 RM'000	2020 RM'000
Operating revenue	1,558,713	1,618,418
Profit for the financial year	232,501	228,106
Attributable to:		
Equity holders of the Company	118,575	116,334
NCI	113,926	111,772
Total comprehensive income	233,424	229,047
Attributable to:		
Equity holders of the Company	119,046	116,814
NCI	114,378	112,233
Dividend paid to NCI	(95,060)	(83,300)

(iii) Summarised statement of cash flows

	AMGH Group	
	2021 RM'000	2020 RM'000
Operating activities	207,994	164,266
Investing activities	(14,435)	(3,601)
Financing activities	(233,490)	(184,367)
Net decrease in cash and cash equivalents for the financial year	(39,931)	(23,702)

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

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

In Malaysia Unquoted unit trusts Name of fund	Principal activities	Effective Equity Interest 2021 %	 2020 %
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. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group	
	2021 RM'000	2020 RM'000
Unquoted shares:		
At cost at the beginning/end of the financial year	669,169	669,169
Share of post acquisition reserves	67,587	30,106
	736,756	699,275
Less: Impairment loss	(147,819)	–
	588,937	699,275

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM476,843,000 (2020: RM433,986,000) are included in the total carrying amount of investment in associates and joint ventures. As at 31 March 2021, the carrying amount of the Group's material joint venture, AmMetLife Insurance Berhad, amounted to approximately RM443,651,000 (2020: RM401,214,000).

During the current financial year, the Group recognised impairment loss in investment in associate of RM147,819,000.

The recoverable amount used in the impairment assessment is based on value-in-use calculations. This calculation 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 average distribution yield for Malaysian Real Estate Investment Trusts at the date of assessment.

The cash flows projection is based on the financial budget approved by the board of directors of the associate covering 4 years and the estimated cash flows beyond the period covered by the financial budgets are extrapolated using terminal growth rate of 0%. The discount rate applied is 8.63%.

17. INVESTMENTS 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 2021 %	Effective Equity Interest 2020 %
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 ("JVs"):			
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 2020 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% (2020: 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 2021				
Revenue	107,303	656,417	23,576	195,598
Profit/(Loss) after tax from continuing operations	4,661	83,309	(3,960)	4,466
Other comprehensive income/(loss)	–	1,566	–	(3,626)
Total comprehensive income/(loss)	4,661	84,875	(3,960)	840
For the financial year ended 31 March 2020				
Revenue	116,036	713,470	26,644	115,338
Profit/(Loss) after tax from continuing operations	21,652	(19,835)	963	54
Other comprehensive (loss)/income	–	(931)	–	222
Total comprehensive income/(loss)	21,652	(20,766)	963	276

	2021		2020	
	AmFirst REIT[2] RM'000	AmMetLife Insurance RM'000	AmFirst REIT[2] RM'000	AmMetLife Insurance RM'000
Total assets[1]	1,673,720	4,279,125	1,677,646	4,101,518
Total liabilities	(850,088)	(3,394,100)	(838,838)	(3,299,090)
Net assets	823,632	885,025	838,808	802,428

[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 2021 is approximately RM78,014,000 (2020: RM74,313,000).

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

(d) The above amounts of assets and liabilities for the material associate and joint venture includes the following:

	2021		2020	
	AmFirst REIT RM'000	AmMetLife Insurance RM'000	AmFirst REIT RM'000	AmMetLife Insurance RM'000
Interest income	64	147,360	85	152,332
Interest expense	(28,983)	–	(37,932)	–
Depreciation of property and equipment	–	(3,583)	–	(4,386)
Depreciation of right-of-use assets	(277)	–	(185)	–
Amortisation of intangible assets	–	(10,444)	–	(9,184)
Taxation	352	(27,916)	(4,357)	749

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

	2021		2020	
	AmFirst REIT RM'000	AmMetLife Insurance RM'000	AmFirst REIT RM'000	AmMetLife Insurance RM'000
Cash and cash equivalents	4,730	340,555	4,070	272,041
Current financial liabilities (excluding trade, other payables and provisions)	(118,383)	(7,619)	(354,093)	(8,266)
Non current financial liabilities (excluding trade, other payables and provisions)	(697,416)	(21,033)	(446,674)	(22,933)

(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:

	2021		2020	
	AmFirst REIT RM'000	AmMetLife Insurance RM'000	AmFirst REIT RM'000	AmMetLife Insurance 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	224,231	401,214	225,764	411,597
Share of net results for the financial year	1,246	41,654	5,788	(9,918)
Share of other comprehensive income for the financial year	–	783	–	(465)
Impairment of investment in associate	(147,819)	–	–	–
Dividend/Distribution received	(5,303)	–	(7,321)	–
Carrying amount at the end of the financial year	72,355	443,651	224,231	401,214

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

(f) AmMetLife Insurance Berhad and AmMetLife Takaful Berhad, the two 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 2021, as well as the corresponding change in fair value during the financial year.

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

	Fair value as at 1 April 2020 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2021 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
2021					
Assets					
Investments					
Loans and receivables ("LAR")	352,716	(20,593)	332,123	SPPI	Amortised cost
Available-for-sale ("AFS") securities	1,234,199	72,342	1,306,541		
– Quoted equities	37,333	21,217	58,550	Non-SPPI	FVTPL
– Unquoted equities	2,147	–	2,147	Non-SPPI	FVTPL
– Malaysian Government Securities	186,819	(39,462)	147,357	SPPI	FVOCI
– Unquoted corporate bonds	990,603	99,718	1,090,321	SPPI	FVOCI
– Unquoted corporate bonds	5,001	(5,001)	–	Non-SPPI	FVTPL
– Quoted unit and property trust funds	12,296	(4,130)	8,166	Non-SPPI	FVTPL
Fair value through profit or loss ("FVTPL"):	1,494,974	119,035	1,614,009		
– Quoted equities	41,951	34,399	76,350	Non-SPPI	FVTPL
– Malaysian Government Securities	119,705	(3,224)	116,481	SPPI	FVOCI
– Unquoted corporate bonds	1,287,175	92,042	1,379,217	SPPI	FVOCI
– Unquoted corporate bonds	10,001	(10,001)	–	Non-SPPI	FVTPL
– Quoted unit and property trust funds	6,769	(3,721)	3,048	Non-SPPI	FVTPL
– Unquoted unit and property trust funds	29,373	9,540	38,913	Non-SPPI	FVTPL
Other receivables	33,502	(4,259)	29,243	SPPI	Amortised cost
Cash and bank balances	64,666	9,852	74,518	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 2021, all SPPI assets meet the characteristics of low credit risk financial instruments.

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

(f) (1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2021, 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.)

	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
2020					
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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

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

(f) (1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2021, 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 2020 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2021 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
2021					
Assets					
Loans and receivables ("LAR")	40,285	13,965	54,250	SPPI/SPPP	Amortised cost
– Quoted Shariah approved equities	13,987	10,146	24,133	Non-SPPI/SPPP	FVTPL
– Unit and property trust funds	7,799	11,660	19,459	Non-SPPI/SPPP	FVTPL
– Malaysian Government guaranteed financing	6,935	33,082	40,017	SPPI/SPPP	FVOCI
– Malaysian Government guaranteed financing	1,014	173	1,187	Non-SPPI/SPPP	FVTPL
– Islamic private debt securities	186,361	7,940	194,301	SPPI/SPPP	FVOCI
– Islamic private debt securities	16,770	155	16,925	Non-SPPI/SPPP	FVTPL
– Accrued interest	3,413	261	3,674	SPPI/SPPP	Amortised cost
– Other receivables	246	68	314	SPPI/SPPP	Amortised cost
Cash and bank balances	48,266	27,269	75,535	SPPI/SPPP	Amortised cost

	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
2020					
Assets					
Loans and receivables ("LAR")	47,596	(7,311)	40,285	SPPI/SPPP	Amortised cost
– Quoted Shariah approved equities	16,466	(2,479)	13,987	Non-SPPI/SPPP	FVTPL
– Unit and property trust funds	7,752	47	7,799	Non-SPPI/SPPP	FVTPL
– Malaysian Government guaranteed financing	6,796	139	6,935	SPPI/SPPP	FVOCI
– Malaysian Government guaranteed financing	624	390	1,014	Non-SPPI/SPPP	FVTPL
– Islamic private debt securities	177,708	8,653	186,361	SPPI/SPPP	FVOCI
– Islamic private debt securities	5,839	10,931	16,770	Non-SPPI/SPPP	FVTPL
– Accrued interest	3,316	97	3,413	SPPI/SPPP	Amortised cost
– Other receivables	253	(7)	246	SPPI/SPPP	Amortised cost
Cash and bank balances	7,246	41,020	48,266	SPPI/SPPP	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. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(f) (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

	Neither past due nor impaired			Government guaranteed	Unrated	Unit linked	Total
	AAA RM'000	AA RM'000	A RM'000	RM'000	RM'000	RM'000	RM'000
2021							
Investments:							
LAR:							
Deposit with licensed banks	145,281	114,143	–	–	–	2,882	262,306
Loans							
Policy loans	–	–	–	–	69,523	–	69,523
Mortgage loans	–	–	–	–	294	–	294
AFS:							
Malaysian Government Securities	–	–	–	147,357	–	–	147,357
Corporate bonds	371,777	71,996	–	646,548	–	–	1,090,321
FVTPL:							
Malaysian Government Securities	–	–	–	115,442	–	1,039	116,481
Corporate bonds	224,172	135,424	–	970,525	–	49,096	1,379,217
Other receivables*	6,169	2,930	–	16,854	1,852	1,438	29,243
Cash and bank balances	48,518	11,232	–	–	27	14,741	74,518
	795,917	335,725	–	1,896,726	71,696	69,196	3,169,260

	Neither past due nor impaired			Government guaranteed	Unrated	Unit linked	Total
	AAA RM'000	AA RM'000	A RM'000	RM'000	RM'000	RM'000	RM'000
2020							
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 2021 and 31 March 2020, there are no SPPI assets that do not have low credit risk.

* excluding prepayment and tax recoverable

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

(f) (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			
	Government guaranteed RM'000	Investment grade* (A-AAA) RM'000	Unrated RM'000	Total RM'000
2021				
Investments:				
AFS securities:				
Unquoted in Malaysia:				
Secured Islamic corporate debt securities	40,017	–	–	40,017
Unsecured Islamic corporate debt securities	–	194,301	–	194,301
LAR:				
Islamic investment accounts with licensed Islamic banks	–	54,250	–	54,250
Accrued interest and other receivables (excluding prepayments and tax recoverable)	493	3,036	459	3,988
Cash and bank balances	–	75,517	18	75,535
	40,510	327,104	477	368,091

	Neither past due nor impaired			
	Government guaranteed RM'000	Investment grade* (A-AAA) RM'000	Unrated RM'000	Total RM'000
2020				
Investments:				
AFS securities:				
Unquoted in Malaysia:				
Secured Islamic corporate debt securities	6,935	–	–	6,935
Unsecured Islamic corporate debt securities	–	186,361	–	186,361
LAR:				
Islamic investment accounts with licensed Islamic banks	–	40,285	–	40,285
Accrued interest and other receivables (excluding prepayments and tax recoverable)	104	3,233	322	3,659
Cash and bank balances	–	48,252	14	48,266
	7,039	278,131	336	285,506

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

As at 31 March 2021 and 31 March 2020, there are no SPPI assets that do not have low credit risk.

18. OTHER ASSETS

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade receivables	(a)	550,395	505,330	–	–
Other receivables, deposits and prepayments	(b)	758,424	570,623	1,833,358	255
Interest/Profit receivable		380,919	458,935	–	–
Fee receivable		19,527	26,192	–	–
Amount due from agents, brokers and reinsurers		55,689	50,416	–	–
Foreclosed properties		2,615	2,607	–	–
Tax recoverable		128,289	167,930	–	1,316
Collateral pledged for derivative and securities transactions		552,339	1,035,710	–	–
		2,448,197	2,817,743	1,833,358	1,571
Less: Accumulated impairment losses	(c)	(6,761)	(8,309)	–	–
		2,441,436	2,809,434	1,833,358	1,571

(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) 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 2021 RM'000	Group 2020 RM'000
Balance at beginning of financial year	8,152	8,580
(Writeback of)/Allowances for impairment, net	(1,365)	794
Amount written off	(180)	(1,223)
Foreign exchange differences	(3)	1
Balance at end of the financial year	6,604	8,152

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 RM1,816,000 (2020: RM1,715,000).

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

	Group 2021 RM'000	Group 2020 RM'000
Balance at beginning/end of the financial year	157	157

19. PROPERTY AND EQUIPMENT

Group 31 March 2021	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	3,901	4,813	534	63,332	7,907	230,639	674,209	213,014	24,395	1,222,744
Additions	–	–	–	–	413	7,698	16,975	3,801	10,820	39,707
Disposals	(92)	–	–	(184)	(447)	–	(18,971)	(2,539)	–	(22,233)
Written off	–	–	–	–	–	–	(19)	(1,203)	–	(1,222)
Reclassification/adjustments	5,088	3,164	(213)	(9,650)	685	(2,488)	25,314	357	(28,023)	(5,766)
Transfer from Intangible Assets (Note 21)	–	–	–	–	–	–	–	–	281	281
Foreign exchange differences	–	–	–	–	(7)	–	(14)	(69)	–	(90)
At end of the financial year	8,897	7,977	321	53,498	8,551	235,849	697,494	213,361	7,473	1,233,421
Accumulated depreciation										
At beginning of the financial year	336	2,755	210	25,399	5,198	197,620	551,299	184,650	–	967,467
Depreciation for the financial year (Note 35)	–	145	12	1,056	521	12,128	45,369	10,661	–	69,892
Disposals	–	–	–	(96)	(294)	–	(17,900)	(2,534)	–	(20,824)
Written off	–	–	–	–	–	–	(17)	(1,103)	–	(1,120)
Reclassification/adjustments	(336)	364	32	(1,429)	821	867	739	(29)	–	1,029
Foreign exchange differences	–	–	–	–	(7)	–	(14)	(69)	–	(90)
At end of the financial year	–	3,264	254	24,930	6,239	210,615	579,476	191,576	–	1,016,354
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	8,897	4,459	67	27,689	2,312	25,234	118,018	21,785	7,473	215,934

19. PROPERTY AND EQUIPMENT (CONT'D.)

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 21)	–	–	–	–	–	12,500	210,511	–	11,084	234,095
Reclassified to Assets Held for Sale (Note 54)	(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 21)	–	–	–	–	–	6,674	132,115	–	–	138,789
Reclassified to Assets Held for Sale (Note 54)	(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

19 PROPERTY AND EQUIPMENT (CONT'D.)

Company	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
2021				
Cost				
At beginning of the financial year	4	1,575	18	1,597
Disposals	–	(424)	–	(424)
Transfer to a subsidiary	–	(393)	–	(393)
At end of the financial year	4	758	18	780
Accumulated depreciation				
At beginning of the financial year	4	1,245	16	1,265
Depreciation for the financial year (Note 35)	–	114	1	115
Disposals	–	(271)	–	(271)
Transfer to a subsidiary	–	(330)	–	(330)
At end of the financial year	4	758	17	779
Carrying amount				
At end of the financial year	–	–	1	1

Company	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
2020				
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				
At end of the financial year	–	330	2	332

20. RIGHT-OF-USE ASSETS

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2021			
Cost			
At beginning of the financial year	394,488	3,136	397,624
Additions	15,768	5,722	21,490
Remeasurements	14,049	–	14,049
Reversal of provision	(123)	–	(123)
Derecognition of expired leases	(1,768)	–	(1,768)
At end of the financial year	422,414	8,858	431,272
Accumulated depreciation			
At beginning of the financial year	78,900	1,045	79,945
Depreciation for the financial year (Note 35)	79,770	2,572	82,342
Derecognition of expired leases	(1,768)	–	(1,768)
At end of the financial year	156,902	3,617	160,519
Carrying amount			
At end of the financial year	265,512	5,241	270,753

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020			
Cost			
At beginning of the financial year	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

The carrying amount of right-of-use assets includes estimated cost for reinstatement amounting to RM4,846,000 (2020: 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.

20. RIGHT-OF-USE ASSETS (CONT'D.)

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.

21. INTANGIBLE ASSETS

		Group	
	Note	2021 RM'000	2020 RM'000
Goodwill	(a)	1,020,562	2,809,715
Other intangibles:			
Brand	(b)	94,440	94,440
Agent relationship	(b)	26,218	30,245
Credit cards relationship	(b)	–	10,133
Computer software	(b)	257,123	254,016
Work-in-progress ("WIP") for computer software	(b)	45,604	62,957
		423,385	451,791
		1,443,947	3,261,506

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 2021 with premium growth rate of -2.6% to 5.8% (2020: 2.2% to 6.7%) over the next 5 years and terminal growth rate of 3.0% (2020: 3.0%). The discount rate applied is 13.4% (2020: 13.0%) 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 was previously amortised over a finite useful life of 10 years using the straight-line method. The useful life of the credit card relationship has been revised to 8.33 years following the annual reassessment of the amortisation periods for intangible assets with finite useful lives, as a result of a significant reduction in the economic benefits derived from the credit card relationship during the financial year. This revision has resulted in the acceleration of amortisation charge by RM6,333,000 on prospective basis in the current financial year.

21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

	Group	
	2021 RM'000	2020 RM'000
Cost		
Balance at beginning/end of the financial year	2,811,037	2,811,037
Accumulated impairment		
Balance at beginning of the financial year	(1,322)	(1,322)
Impairment for the financial year	(1,789,153)	–
Balance at end of the financial year	(1,790,475)	(1,322)
Carrying amount		
Balance at end of the financial year	1,020,562	2,809,715

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	
	2021 RM'000	2020 RM'000
Investment banking	4,227	428,026
Asset and fund management	116,128	116,128
Commercial and retail:		
– Conventional banking	129,655	1,495,009
– Islamic banking	53,482	53,482
General insurance	717,070	717,070
	1,020,562	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 management. 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 the management covering a three-year period (2020: three-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 5.0% (2020: 4.9%) based on long-term inflation forecast and expectations of market opportunities. The discount rate applied ranged from 9.00% to 10.13% (2020: 7.42% to 8.02%).

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 -2.6% to 5.8% (2020: 2.2% to 6.7%) 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% (2020: 3.0%). The discount rate applied is 14.4% (2020: 14.0%).

21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

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 statements of profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

During the current year, the Group impaired its goodwill in relation to investment banking and conventional banking of RM423,799,000 and RM1,365,354,000 respectively. 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.

(b) The movements in intangible assets are as follows:

Group	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
2021								
Cost								
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,157,881	62,957	1,492,306
Additions	–	–	–	–	–	33,844	58,572	92,416
Reclassification/adjustments	–	–	–	–	–	64,823	(75,644)	(10,821)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	–	(281)	(281)
Foreign exchange differences	–	–	–	–	–	(2)	–	(2)
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,256,546	45,604	1,573,618
Accumulated amortisation								
At beginning of the financial year	–	53,538	25,000	30,245	27,867	903,865	–	1,040,515
Amortisation (Note 35)	–	–	–	4,027	10,133	96,535	–	110,695
Reclassification/adjustments	–	–	–	–	–	(975)	–	(975)
Foreign exchange differences	–	–	–	–	–	(2)	–	(2)
At end of the financial year	–	53,538	25,000	34,272	38,000	999,423	–	1,150,233
Carrying amount								
At end of the financial year	94,440	–	–	26,218	–	257,123	45,604	423,385

21. INTANGIBLE ASSETS (CONT'D.)

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

Group	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
2020								
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	(38,270)	(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
Carrying amount								
At end of the financial year	94,440	–	–	30,245	10,133	254,016	62,957	451,791

22. DEPOSITS FROM CUSTOMERS

	Group	
	2021 RM'000	2020 RM'000
Demand deposits	28,095,907	22,721,480
Savings deposits	7,662,383	6,109,023
Term/Investment deposits	84,784,896	79,966,053
Negotiable instruments of deposits	–	4,170,156
	120,543,186	112,966,712

Included in deposits from customers of the Group are deposits of RM2,031.4 million (2020: RM2,038.5 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	
	2021 RM'000	2020 RM'000
Due within six months	70,498,403	67,788,352
Six months to one year	12,822,494	13,816,530
Over one year to three years	1,361,269	2,392,042
Over three years to five years	102,730	139,285
	84,784,896	84,136,209

The deposits are sourced from the following types of customers:

	Group	
	2021 RM'000	2020 RM'000
Government and statutory bodies	5,574,666	4,419,707
Business enterprises	65,674,964	59,382,766
Individuals	40,855,153	39,867,316
Others	8,438,403	9,296,923
	120,543,186	112,966,712

23. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

		Group	
	Note	2021 RM'000	2020 RM'000
Licensed banks		6,065,550	5,701,479
Licensed investment banks		550,534	439,041
Bank Negara Malaysia	(a)	1,046,960	240,549
Other financial institutions		2,257,843	3,640,852
		9,920,887	10,021,921

(a) For the current financial year, deposits and placements from Bank Negara Malaysia had included the amounts received by the Group under government financing scheme amounting to RM903,590,000 as part of the support measures by the government in response to the COVID-19 pandemic for the purpose of lending to SME at below market rate with six-year (6) and eight and half year (8.5) maturities. The fair value gain arising from the deposits from Bank Negara Malaysia with the Group is applied to address the financial and accounting impact arising from lending at concession rates and is recognised in the profit or loss.

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 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.

25. TERM FUNDING

	Note	Group 2021 RM'000	Group 2020 RM'000
Senior Notes/Sukuk	(a)	1,000,000	1,700,000
Credit-Linked Notes	(b)	147,691	142,989
Other borrowings (net of unamortised issuance expenses of RM1,059,000; 2020: RM1,746,000)	(c)	602,179	658,750
		1,749,870	2,501,739

(a) The Senior Notes/Sukuk outstanding were issued under the following:

	Note	Group 2021 RM'000	Group 2020 RM'000
Senior Notes Programme	(i)	–	700,000
Senior Sukuk Programme	(ii)	1,000,000	1,000,000
		1,000,000	1,700,000

(i) The movements of debt securities under the Senior Notes Programme are as follows:

	Group 2021 RM'000	Group 2020 RM'000
Balance at beginning of the financial year	700,000	700,000
Redemption during the financial year	(700,000)	–
Balance at end of the financial year	–	700,000

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 with a tenor of 2 years. The interest rate of this tranche is 4.50% per annum, payable semi-annually. On maturity date of 26 June 2020, this tranche was fully redeemed. As at 31 March 2021, RAM Rating has assigned a long-term rating of AA3/Stable to the SNP.

25. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following: (cont'd.)

(ii) The movements of debt securities under the Senior Sukuk Programme are as follows:

	Group	
	2021 RM'000	2020 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. As at 31 March 2021, the Senior Sukuk was assigned a rating of AA3/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.

(b) The movements of Credit-Linked Notes ("CLN") are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	142,989	139,791
Amortisation of premium	4,702	3,198
Balance at end of the financial year	147,691	142,989

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 (2020: RM150.0 million). The CLNs carry a fixed interest rate at 2.0% per annum (2020: 4.0% per annum up to 14 September 2019 and at 2.0% per annum from 15 September 2019 to maturity date of 14 September 2021).

25. TERM FUNDING (CONT'D.)

(c) The movements in other borrowings are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year:		
Structured deposit	229,127	161,533
Term loan	429,623	–
Drawdown during the financial year		
Term loan	–	414,050
Issuance expenses for term loan capitalised	–	(2,102)
Net (repayment)/issuance during the financial year		
Structured deposit	(40,766)	67,477
Amortisation of:		
– premium for structured deposit	69	117
– issuance expenses for term loan	1,059	356
Foreign exchange differences	(16,933)	17,319
Balance at end of the financial year	602,179	658,750

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 RM188,430,000 (2020: RM229,127,000) are non-principal guaranteed deposits placed by the customers. The structured deposits will mature within 1 month to 4 years (2020: 1 month to 5 years) and are roll-overed on maturity date depending on customers' request. Structured deposits for operations of Islamic banking amounted to RM34,766,000 (2020: RM34,697,000).

(d) Redemption of Euro Medium Term Note in financial year ended 31 March 2020.

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. On maturity date of 3 July 2019, AmBank fully redeemed the Euro MTN.

	Group
	2020 RM'000
Balance at beginning of the financial year	1,633,430
Redemption during the financial year	(1,655,000)
Amortisation of issuance expenses	334
Amortisation of premium	288
Foreign exchange differences	20,948
Balance at end of the financial year	–

26. DEBT CAPITAL

		Group	
	Note	2021 RM'000	2020 RM'000
Subordinated Notes and Sukuk	(a)	4,295,000	3,745,000

(a) Subordinated Notes and Sukuk

The outstanding Subordinated Notes and Sukuk are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year:		
Subordinated Sukuk	1,150,000	1,150,000
Subordinated Notes	2,595,000	2,595,000
Issuance during the financial year:		
Subordinated Sukuk	400,000	–
Subordinated Notes	400,000	–
Redemption during the financial year:		
Subordinated Sukuk	(250,000)	–
Balance at end of the financial year:	4,295,000	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. As at 31 March 2021, the Tier 2 Subordinated Sukuk have been assigned a credit rating of A1/Stable 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. This tranche was fully redeemed on 21 December 2020.
- 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.
- Tranche 8 which amounted to RM400.0 million was issued on 8 December 2020. The profit rate of this tranche is 3.13% per annum, payable semi-annually.

All the above tranches are for a tenor of 10 years.

26. DEBT CAPITAL (CONT'D.)

(a) Subordinated Notes and Sukuk (cont'd.)

(i) Subordinated Sukuk Murabahah (cont'd.)

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 2021 amounted to RM1,300,000,000 (2020: RM1,150,000,000).

(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. As at 31 March 2021, the Tier 2 Subordinated Notes have been assigned a credit rating of A1/Stable 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.
– Tranche 7 amounting to RM400.0 million was issued on 30 March 2021. The interest rate of this tranche is 4.18% 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 2021 amounted to RM2,995,000,000 (2020: RM2,595,000,000).

26. DEBT CAPITAL (CONT'D.)

(b) Redemption of Innovative Tier 1 Capital Securities in financial year ended 31 March 2020

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.

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 the ITICS of RM185.0 million in nominal value and cancelled the programme after this final redemption.

The movements in ITICS are as follows:

	Group
	2020 RM'000
Balance at beginning of the financial year	485,000
Redemption during the financial year	(485,000)
Balance at end of the financial year	–

27. OTHER LIABILITIES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	(a)	438,644	505,342	–	–
Other payables and accruals	(b)	1,307,554	1,943,131	42,134	32,837
Interest payable on deposits and borrowings		612,771	719,606	–	–
Lease deposits and advance rental		45,751	42,954	–	–
Provision for commitments and contingencies	(c)	10,239	28,014	–	–
Allowances for ECL on loan commitments and financial guarantees	(d)	120,510	75,203	–	–
Lease liabilities	(e)	273,471	316,888	–	–
Provision for reinstatement of leased properties	(f)	8,989	10,927	–	–
Amount due to subsidiaries	(g)	–	–	283	14,137
Settlement payable	57	2,830,000	–	2,830,000	–
Provision for taxation		23,790	19,261	5	–
Collateral received for derivative and securities transactions		145,035	227,924	–	–
Deferred income		74,977	76,668	–	–
		5,891,731	3,965,918	2,872,422	46,974

(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.

27. OTHER LIABILITIES (CONT'D.)

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM18,350,000 (2020: RM19,357,000).

Provision for retirement benefits

(i) The movements in the present value of the defined benefit obligation recognised in the statements of financial position are as follows:

	Note	Group	
		2021 RM'000	2020 RM'000
Defined benefit obligation at beginning of the financial year		19,357	19,831
Actuarial gain	(ii)	(1,213)	(1,238)
Benefits paid		(1,469)	(1,123)
Service and interest costs	(iii)	1,675	1,887
Defined benefit obligation at end of the financial year		18,350	19,357
Present value of unfunded obligation		18,350	19,357
Recognised liability for defined benefit obligation		18,350	19,357

(ii) Actuarial gains and losses recognised directly in other comprehensive income:

	Group	
	2021 RM'000	2020 RM'000
Amount accumulated in retained earnings at beginning of the financial year	3,347	2,406
Actuarial gain arising from:		
(i) changes in financial and demographic assumptions	942	830
(ii) experience adjustments	271	408
Recognised during the financial year (Note i)	1,213	1,238
Tax effects thereon	(291)	(297)
Amount accumulated in retained earnings at end of the financial year	4,269	3,347

(iii) Expense recognised in the statements of profit or loss as retirement benefits cost:

	Group	
	2021 RM'000	2020 RM'000
Service cost	885	925
Interest cost	790	962
	1,675	1,887

27. OTHER LIABILITIES (CONT'D.)

(b) Provision for retirement benefits (cont'd.)

(iv) Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	Group	
	2021	2020
Discount rate (per annum)	4.01%	4.15%
Fixed deposit rate (per annum)	1.55%	2.50%
Withdrawal rates (per annum)	4.90%	5.10%

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 7.51 years (2020: 7.77 years).

The subsidiary operates a final salary defined retirement benefit scheme which is wholly unfunded and there is no minimum funding requirement under the current law. The employees of the subsidiary are not required to contribute to the scheme.

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 of the subsidiary who are hired after 18 March 2011 are not entitled to the retirement benefit.

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 (decrease)/increase	
	2021 RM'000	2020 RM'000
Discount rate:		
Increase 100 basis points	(1,053)	(1,198)
Decrease 100 basis points	1,160	1,326
Fixed deposit rate:		
Increase 100 basis points	1,370	1,541
Decrease 100 basis points	(1,257)	(1,409)
Withdrawal rate:		
10% increase in the withdrawal rate	(441)	(520)
10% decrease in the withdrawal rate	458	542

27. OTHER LIABILITIES (CONT'D.)

(c) The movements in provision for commitments and contingencies:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	28,014	81,779
Writeback during the financial year	(810)	(490)
Reversal of provision under impaired loans, advances and financing recovered*	(16,965)	(51,275)
Settlement during the financial year	–	(2,000)
Balance at end of the financial year	10,239	28,014

* 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. RM51.3 million was reversed in the previous financial year in relation to the Supplemental SPAs.

During the current financial year, AmBank and AmBank Islamic reversed a total of RM17.0 million relating to the provision for estimated expenditure in respect of AmBank and AmBank Islamic's obligation to repurchase loans/financings due to expiry of the repurchase obligation.

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows:

Group	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
2020				
Balance at beginning of the financial year	51,703	34,141	10,905	96,749
Net writeback of ECL	(9,370)	(1,690)	(10,717)	(21,777)
– Transfer to 12-month ECL (Stage 1)	1,068	(10,446)	–	(9,378)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(955)	11,037	–	10,082
– Transfer to Lifetime ECL credit impaired (Stage 3)	(217)	(366)	1,160	577
New exposures originated	13,903	8,790	–	22,693
Net remeasurement of allowances	(7,550)	(2,515)	(1,485)	(11,550)
Exposures derecognised	(24,306)	(12,747)	(10,390)	(47,443)
Changes in model assumptions and methodologies	8,687	4,557	(2)	13,242
Foreign exchange differences	170	68	(7)	231
Balance at end of the financial year	42,503	32,519	181	75,203

27. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows: (cont'd.)

Group	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
2021				
Balance at beginning of the financial year	42,503	32,519	181	75,203
Net (writeback of)/allowances ECL	(12,033)	4,888	52,552	45,407
– Transfer to 12-month ECL (Stage 1)	1,402	(8,890)	–	(7,488)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,705)	7,206	–	5,501
– Transfer to Lifetime ECL credit impaired (Stage 3)	(92)	(453)	52,422	51,877
New exposures originated	13,054	16,284	8	29,346
Net remeasurement of allowances	(1,528)	3,934	122	2,528
Exposures derecognised	(11,721)	(7,629)	–	(19,350)
Changes in model assumptions and methodologies	(11,443)	(5,564)	–	(17,007)
Foreign exchange differences	(41)	(59)	–	(100)
Balance at end of the financial year	30,429	37,348	52,733	120,510

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

(a) Overall 12-month ECL (Stage 1) decreased due to reversal of FL ECL overlay provided in the previous financial year, exposure derecognised and net remeasurement of allowances; partially offset by new exposures originated.

(b) Overall Lifetime ECL not credit impaired (Stage 2) increased due to new exposures originated and net remeasurement of allowances; partly offset by exposures derecognised and reversal of FL ECL overlay provided in the previous financial year.

(c) Lifetime ECL credit impaired (Stage 3) increased mainly due to newly impaired performance guarantees in the financial year.

(e) The movements of lease liabilities are as follows:

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2021			
At beginning of the financial year	314,759	2,129	316,888
Additions	15,488	5,722	21,210
Remeasurements	14,105	–	14,105
Finance cost charged (Note 35)	11,936	255	12,191
Payment of lease liabilities*	(86,813)	(4,110)	(90,923)
At end of the financial year	269,475	3,996	273,471

27. OTHER LIABILITIES (CONT'D.)

(e) The movements of lease liabilities are as follows: (cont'd.)

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020			
At beginning of the financial year	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

* Inclusive of RM41,343,000 (2020: RM32,807,000) of payment of lease liabilities to related parties during the financial year.

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 of MFRS 16 for the current financial year end amounted to RM2,000,000 (2020: RM1,900,000) for low-value assets and RM3,300,000 (2020: RM11,790,000) for leases with contract term of less than 12 months.

Lease liabilities analysed by undiscounted contractual payments are as follows:

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2021			
Up to 1 month	7,096	71	7,167
>1 month to 3 months	14,142	145	14,287
>3 months to 6 months	21,061	221	21,282
>6 months to 12 months	37,278	3,484	40,762
>1 year to 5 years	145,061	416	145,477
Over 5 years	71,505	–	71,505
	296,143	4,337	300,480

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020	7,409	85	7,494
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	
	2021 RM'000	2020 RM'000
At beginning of the financial year	10,927	15,483
Additions	280	1,064
Remeasurement	(318)	–
Reversal of provision	(2,041)	(5,927)
Finance cost charged (Note 35)	141	307
At end of the financial year	8,989	10,927

As at 31 March 2021, the Group has estimated that it is contingently liable to incur restoration costs of RM13,400,000 (2020: RM13,400,000) upon termination of lease contracts for certain properties leased from an associate.

(g) Amount due to subsidiaries are unsecured, interest-free and is repayable on demand.

28. SHARE CAPITAL

		Group		Company	
	Note	2021 Units '000	2020 Units '000	2021 Units '000	2020 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

		Group		Company	
	Note	RM'000	RM'000	RM'000	RM'000
Issued and fully paid ordinary shares					
Balance at beginning of financial year		5,851,557	5,751,557	5,550,250	5,550,250
Transfer from retained earnings arising from redemption of preference shares	16(a)(3)(ii)	100,000	100,000	–	–
Balance at end of financial year		5,951,557	5,851,557	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 6,069,050 as at 31 March 2021 (2020: 7,495,900).

The Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020. On 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

With the Private Placement, it enables the Group to strengthen its core capital ratios, including Common Equity Tier 1 and Total Capital Ratio as disclosed in Note 48(b).

29. RESERVES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Regulatory reserve	(a)	–	387,528	–	–
Fair value reserve	(b)	708,790	635,311	–	–
Cash flow hedging deficit	(c)	(16,949)	(28,155)	–	–
Foreign currency translation reserve	(d)	94,992	108,667	–	–
ESS reserve	(e)	67,778	40,572	67,778	40,572
Treasury shares	(f)	(20,970)	(26,916)	(20,970)	(26,916)
Non-participating funds	(g)	45,715	45,715	–	–
Retained earnings	(h)	7,809,864	11,566,493	4,461,734	4,341,788
		8,689,220	12,729,215	4,508,542	4,355,444

(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.

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

(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) Treasury shares represent 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 1,507,250 (2020: 7,495,900) ordinary shares of the Company for a total consideration of RM4.6 million (2020: RM26.9 million) (including transaction costs) from the open market at an average price of RM3.04 per share (2020: RM3.58 per share).

(g) This non-participating funds unallocated surplus is only available for distribution to shareholders based on the amount recommended by the appointed actuary.

(h) 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 2020 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2021 '000
2019 ESS	5,323	74	(2,813)	(188)	2,396
2020 ESS	–	7,174	(32)	(277)	6,865
	5,323	7,248	(2,845)	(465)	9,261

(b) Movements for Share Grants under LTI award:

	Number of Shares				
	Movements During the Financial Year				
Group	Balance at 1 April 2020 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2021 '000
2018 ESS	5,943	–	(89)	(456)	5,398
2019 ESS	7,340	–	–	(723)	6,617
2020 ESS	–	10,847	–	(643)	10,204
	13,283	10,847	(89)	(1,822)	22,219

(c) The fair value of share grants awarded is based on the share price on grant date, adjusted the number of shares expected to vest and the time value of money of the deferred dividend entitled by the scheme participants.

(d) The grant dates for shares granted are as follows:

2018 ESS (Grant 1)	5 October 2018
2019 ESS (Grant 2)	11 September 2019
2020 ESS (Grant 3)	17 August 2020

31. NON-CONTROLLING INTERESTS

	Note	Group	
		2021 RM'000	2020 RM'000
Balance at beginning of financial year		979,268	999,499
Share in net results of subsidiaries		114,372	112,118
Share in other comprehensive income		452	461
Return of capital by a subsidiary	(a)	(49,000)	(49,000)
Dividends received by non-controlling interests		(95,510)	(83,810)
Balance at end of the financial year		949,582	979,268

(a) 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.

32. INTERESTS INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	65,547	68,761	6,550	5,247
Financial assets at fair value through profit or loss	257,714	422,901	–	–
Financial investments at fair value through other comprehensive income	467,456	493,365	–	–
Financial investments at amortised cost	132,424	141,970	–	–
Loans and advances*	3,215,337	3,788,345	–	–
Impaired loans and advances	4,287	6,539	–	–
Others	13,015	18,130	–	–
	4,155,780	4,940,011	6,550	5,247

* Included in the interest income of loans and advances of the Group is the net loss of RM50.3 million arising from government support measures implemented in response to COVID-19 pandemic.

33. INTEREST EXPENSE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits from customers	1,605,199	2,256,333	–	–
Deposits and placements of banks and other financial institutions	91,922	188,196	–	–
Senior notes	7,422	45,585	–	–
Credit-Linked Notes	7,719	7,547	–	–
Securities sold under repurchase agreements	42,665	162,647	–	–
Recourse obligation on loans sold to Cagamas Berhad	145,548	159,662	–	–
Term loan	5,183	3,619	–	–
Debt Capital	131,008	148,562	–	–
Other structured products and others	27,207	29,243	–	–
	2,063,873	3,001,394	–	–

34. OTHER OPERATING INCOME

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Fee and commission income:					
Fees on loans and securities		110,708	155,310	–	–
Corporate advisory		10,483	17,933	–	–
Guarantee fees		48,044	54,071	–	–
Underwriting commission		129	323	–	–
Portfolio management fees		51,328	35,364	–	–
Unit trust fees, commission and charges		184,847	125,394	–	–
Property trust management fees		7,075	7,348	–	–
Brokerage fees and commission		69,593	34,108	–	–
Bancassurance commission		10,470	14,089	–	–
Wealth management fees		24,492	26,867	–	–
Remittances		19,196	24,626	–	–
Fees, service and commission charges		21,743	27,971	–	–
Other fees		23,637	20,429	–	–
		581,745	543,833	–	–
Investment and trading income:					
Net gain from sale of financial assets at fair value through profit or loss		275,388	36,617	–	–
Net gain from sale of financial investments at fair value through other comprehensive income		23,492	87,756	–	–
Net gain on redemption of financial investments at amortised cost		3,413	11,676	–	–
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss		66,483	(19,587)	–	–
Net gain on foreign exchange		109,982	102,409	–	–
Net loss on derivatives		(135,126)	(5,881)	–	–
Gain on liquidation of a subsidiary		2,457	–	–	–
Dividend income from:					
Subsidiaries		–	–	354,260	851,836
Financial assets at fair value through profit or loss		32,130	26,330	26	34
Financial investments at fair value through other comprehensive income	11(i)	3,689	7,806	–	–
Others		1,010	282	–	–
		382,918	247,408	354,286	851,870
Other income:					
Net gain on non-trading foreign exchange		999	1,237	–	–
Net gain on disposal of property and equipment[1]		145	1,635	38	103
Rental income		2,764	5,046	–	–
Profit from sale of goods and services		17,983	18,030	–	–
Gain/(Loss) on disposal of foreclosed properties		540	(1)	–	–
Others		5,669	14,228	1,176	1,298
		28,100	40,175	1,214	1,401
		992,763	831,416	355,500	853,271

[1] In the previous financial year, included gain of RM1.5 million upon completion of disposal for properties and investment property classified as assets held-for-sale (Note 54).

35. OTHER OPERATING EXPENSES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Personal costs					
Salaries, allowances and bonuses		924,704	918,356	–	–
Shares granted under ESS:					
– charge		39,452	35,263	–	–
Contributions to Employees' Provident Fund ("EPF")/ Private Retirement Schemes		151,765	153,901	–	–
Social security cost		8,325	8,356	–	–
Other staff related expenses		155,922	125,149	–	–
		1,280,168	1,241,025	–	–
Establishment costs:					
Depreciation of property and equipment	19	69,892	62,866	115	219
Depreciation of right-of-use assets	20	82,342	81,210	–	–
Amortisation of intangible assets	21	110,695	108,908	–	–
Computerisation costs		184,632	195,207	283	230
Rental of premises		6,774	11,790	–	–
Cleaning, maintenance and security		29,036	30,118	–	–
Finance costs:					
– interest on lease liabilities	27(e)	12,191	10,141	–	–
– provision for reinstatement of leased properties	27(f)	141	307	–	–
Others		33,607	34,123	–	–
		529,310	534,670	398	449
Marketing and communication expenses:					
Sales commission		8,214	9,676	–	–
Advertising, promotional and other marketing activities		80,038	64,694	8	347
Telephone charges		23,159	23,616	–	8
Postage		12,721	9,528	1	–
Travelling and entertainment		7,693	15,092	–	61
Others		16,968	15,437	1	–
		148,793	138,043	10	416
Administration and general expenses:					
Professional services		84,308	96,428	887	1,425
Travelling		2,460	5,987	3	1
Insurance		6,076	4,234	–	–
Subscriptions and periodicals		9,192	9,984	8	4
Others		71,928	77,820	5,046	5,617
		173,964	194,453	5.944	7,047
Service transfer pricing expense, net		–	–	16,059	18,662
Total		2,132,235	2,108,191	22,411	26,574

35. OTHER OPERATING EXPENSES (CONT'D.)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in other operating expenses are the following:					
Directors' remuneration	36	5,314	4,971	3,917	3,706
Property and equipment written off	19	102	61	–	–
Auditors' remuneration:					
Audit		4,145	3,978	105	105
Regulatory and assurance related		751	938	29	29
Other services		1,377	1,345	–	–

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of Chief Executive Officer and directors of the Group are as follows:

	Remuneration received from the Group				
	Salary RM'000	Other Emoluments[1] RM'000	Bonus[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021					
Chief Executive Officer:					
Dato' Sulaiman Mohd Tahir^	2,541	1,571	2,573	37	6,722

	Remuneration received/receivable from the Group			
	Fees[4] RM'000	Other Emoluments[5] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	19	1,702
Graham Kennedy Hodges	200	110	1	311
Soo Kim Wai	350	218	19	587
Voon Seng Chuan	360	388	1	749
Seow Yoo Lin	350	188	1	539
Farina binti Farikhullah Khan	350	220	2	572
Hong Kean Yong	200	120	1	321
Dato' Kong Sooi Lin	350	178	1	529
Robert William Goudswaard*	4	–	–	4
	2,374	2,895	45	5,314

* Newly appointed on 25 March 2021.

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of Chief Executive Officer and directors of the Group are as follows: (cont'd.)

	Remuneration received from the Group				
	Salary RM'000	Other Emoluments[1] RM'000	Bonus[6] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020					
Chief Executive Officer:					
Dato' Sulaiman Mohd Tahir^	2,541	910	3,142	51	6,644

	Remuneration received/receivable from the Group			
	Fees[4] RM'000	Other Emoluments[5] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020				
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

Notes:

1 Comprised statutory contributions and vested deferred shares for the financial year ended 31 March 2019 ("FY2019") (2020: statutory contributions).
2 Bonus received by CEO during the current financial year comprised bonus for the financial year ended 31 March 2020 ("FY2020") and deferred cash bonus for the financial year ended 31 March 2018 ("FY2018"). Bonus awarded in relation to the current financial year is 85% lower than the bonus awarded for FY2020.
3 Comprised provision of medical claims and expenses incurred by CEO and non-executive directors in performing their duties.
4 Payable upon approval by shareholders in the Annual General Meeting of the respective financial year.
5 Comprised Board Committee allowances, meeting allowances and allowances to the Chairman of the Board.
6 Bonus received by CEO in FY2020 comprised bonus for FY2019 and deferred cash bonus for FY2018 and financial year ended 31 March 2017. Bonus awarded in relation to FY2020 is 9% lower than bonus awarded for FY2019.

^ The remuneration for the CEO of the Company of RM2,810,000 (2020: RM3,087,000) was paid by AmBank and charged to the Company under Service Transfer Pricing ("STP") expenses.

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:

	Remuneration received/receivable from the Company			
	Fees[1] RM'000	Other Emoluments[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	19	1,702
Graham Kennedy Hodges	200	110	1	311
Soo Kim Wai	200	113	–	313
Voon Seng Chuan	200	120	–	320
Seow Yoo Lin	200	125	–	325
Farina binti Farikhullah Khan	200	108	–	308
Hong Kean Yong	200	120	1	321
Dato' Kong Sooi Lin	200	113	–	313
Robert William Goudswaard*	4	–	–	4
Total remuneration	1,614	2,282	21	3,917

* Newly appointed on 25 March 2021.

	Remuneration received/receivable from the Company			
	Fees[1] RM'000	Other Emoluments[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020				
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

Notes:

1 Payable upon approval by shareholders in the Annual General Meeting of the respective financial year.
2 Comprised Board Committee allowances, meeting allowances and allowances to the Chairman of the Board.
3 Comprised provision of medical claims and expenses incurred by non-executive directors in performing their duties.

37. ALLOWANCES FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Note	Group 2021 RM'000	Group 2020 RM'000
Impairment on loans, advances and financing:			
Allowances for ECL	13(i)	1,468,550	666,412
Impaired loans, advances and financing recovered, net		(351,614)	(343,781)
		1,116,936	322,631

38. (WRITEBACK OF)/ALLOWANCES FOR IMPAIRMENT ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	Note	Group 2021 RM'000	Group 2020 RM'000
Financial investments			
Financial investments at fair value through other comprehensive income	11	(14,392)	47,012
Financial investments at amortised cost	12	5,916	(484)
		(8,476)	46,528
Other financial assets			
Cash and short-term funds	6	1,493	(512)
Deposits and placements with banks and other financial institutions	8	(443)	(1,590)
Other assets		(1,382)	794
		(332)	(1,308)

39. TAXATION AND ZAKAT

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current tax:					
Estimated current tax payable		362,462	353,365	1,528	1,288
(Over)/Under provision in prior years		(116)	(20,499)	4	132
		362,346	332,866	1,532	1,420
Deferred tax:	15				
Origination and reversal of temporary differences		(133,855)	18,792	–	–
Over provision in prior years		(914)	(24,662)	–	–
		(134,769)	(5,870)	–	–
Taxation	(a)	227,577	326,996	1,532	1,420
Zakat		1,018	3,027	–	–
		228,595	330,023	1,532	1,420

39. TAXATION AND ZAKAT (CONT'D.)

Domestic income tax is calculated at the statutory tax rate of 24.0% (2020: 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% (2020: 24.0%).

(a) A reconciliation of the taxation applicable to (loss)/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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit before taxation and zakat	(3,483,499)	1,782,856	339,639	819,056
Taxation at Malaysian statutory tax rate of 24.0% (2020: 24.0%)	(836,040)	427,885	81,513	196,573
Effect of different tax rates in Labuan	1,312	(3,758)	–	–
Income not subject to tax	(107,544)	(66,162)	(85,022)	(204,449)
Restricted and non-deductibility of expenses for tax purposes	1,183,114	15,337	5,037	9,164
Tax recoverable recognised on income subject to tax remission	(1,720)	(1,899)	–	–
(Over)/Under provision of income tax in prior years	(116)	(20,499)	4	132
Over provision of deferred tax in prior years	(914)	(24,662)	–	–
Tax on share in results of associates and joint ventures	(10,515)	754	–	–
Taxation for the financial year	227,577	326,996	1,532	1,420

40. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/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	
	2021 RM'000/'000	2020 RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(3,826,466)	1,340,715
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	2,506	–
Effect of shares bought back and held as treasury shares	(8,968)	(6,571)
Effect of ordinary shares held-in-trust disposed off	–	(3,937)
Weighted average number of ordinary shares in issue	3,007,723	3,003,677
Basic (loss)/earnings per share (sen)	(127.22)	44.64

(b) Diluted (loss)/earnings per share

The Group has no dilution in its (loss)/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	
	2021 RM'000	2020 RM'000
In respect of financial year ended 31 March 2020		
Interim single-tier dividend of 6.0 sen per share	–	180,837
Final single-tier dividend of 7.3 sen per share	219,696	–
In respect of financial year ended 31 March 2019		
Final single-tier dividend of 15.0 sen per share	–	452,128
	219,696	632,965
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

Dividends paid by the Company's subsidiary to non-controlling interests amounted to RM95,510,000 during the financial year ended 31 March 2021 (2020: RM83,810,000).

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group										
Income										
Interest on loans, advance and financing	–	–	12,106	16,842	241	361	5,545	8,503	–	–
Bancassurance commission	–	–	10,497	16,204	–	–	–	–	–	–
Fee income	–	–	544	207	38	5	4	95	–	–
Gain/(Loss) on derivatives	–	–	–	–	–	–	–	–	19,939	(46,805)
Foreign exchange (loss)/gain	–	–	–	–	–	–	–	–	(3,448)	2,298
	–	–	23,147	33,253	279	366	5,549	8,598	16,491	(44,507)
Expenses										
Interest on deposits	–	–	129	78	1,196	2,052	940	428	–	–
Customer loyalty awards	–	–	2,858	4,404	–	–	–	–	–	–
Rental of premises	–	–	–	8,374	–	–	321	340	–	–
Storage	–	–	22	20	–	–	–	–	–	–
Utilities and miscellaneous expenses	–	–	352	1,015	–	–	–	–	–	–
Insurance premium	–	–	33,853	26,953	–	–	–	–	–	–
Training expenses	–	–	–	–	–	–	582	544	–	–
Travelling	–	–	–	–	–	–	138	2,533	–	–
	–	–	37,214	40,844	1,196	2,052	1,981	3,845	–	–
Company										
Income										
Interest on deposits	6,550	5,247	–	–	–	–	–	–	–	–
Dividend income from subsidiaries	354,260	851,836	–	–	–	–	–	–	–	–
Other income	208	217	–	–	–	–	–	–	–	–
	361,018	857,300	–	–	–	–	–	–	–	–
Expenses										
Service transfer pricing expenses (net)	16,059	18,662	–	–	–	–	–	–	–	–

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group										
Assets:										
Loans, advances and financing	–	–	355,544	370,025	7,701	8,381	73,029	300,632	–	–
Amount due from related companies	–	–	10,018	7,086	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	–	–	16,185	5,309
Other assets	–	–	3	41	–	–	–	–	44,346	63,855
Right-of-use assets	–	–	62,619	99,344	–	–	–	–	–	–
	–	–	428,184	476,496	7,701	8,381	73,029	300,632	60,531	69,164
Liabilities:										
Deposits and placements	–	–	37,233	26,848	61,003	64,124	26,495	255,216	7,662	18,573
Derivative financial liabilities	–	–	–	–	–	–	–	–	54,506	60,121
Other liabilities	–	–	12,555	7,753	–	–	–	–	–	–
Lease liabilities	–	–	65,539	100,279	–	–	–	–	–	–
	–	–	115,327	134,880	61,003	64,124	26,495	255,216	62,168	78,694
Commitments and contingencies										
Contingent liabilities	–	–	2,480	2,480	–	–	–	–	88,276	101,973
Commitments	–	–	34,000	51,320	7,905	5,937	219,500	42,500	1,053,609	1,339,697
Contract/notional amount for derivatives	–	–	–	–	–	–	–	–	4,565,435	1,721,175
	–	–	36,480	53,800	7,905	5,937	219,500	42,500	5,707,320	3,162,845
Company										
Assets:										
Cash and short-term funds	689,326	322,262	–	–	–	–	–	–	–	–
Amount due from related companies	1,832,618	–	240	221	–	–	–	–	–	–
	2,521,944	322,262	240	221	–	–	–	–	–	–
Liabilities:										
Amount owing to related companies	283	14,137	–	–	–	–	–	–	–	–

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) 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
Fees	2,374	2,112	1,614	1,439
Salary and other remuneration	2,895	2,801	2,282	2,250
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	45	58	21	17
Total short-term employee benefits	5,314	4,971	3,917	3,706
Other key management personnel:				
Salary and other remuneration	32,640	31,305	–	–
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	8,951	6,111	–	–
Total short-term employee benefits	41,591	37,416	–	–

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	2021	2020
Outstanding credit exposures with connected parties (RM'000)	6,443,708	5,389,736
Percentage of outstanding credit exposures to connected parties: as a proportion of total credit exposures (%)	5.03	4.18

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.

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 2021 amounted to RM57,100,842,000 (2020: RM49,978,666,000).

(b) In respect of monies in trust

Monies in trust in relation to the Group's stockbroking and futures businesses excluded from the statements 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 18"):

	Group	
	2021 RM'000	2020 RM'000
Clients' trust balances and dealers' representative balances	547,834	375,873
Remisiers' trust balances	37,421	23,851
	585,255	399,724

Monies held in trust in relation to the Group's fund management business excluded from the statements of financial position:

	Group	
	2021 RM'000	2020 RM'000
Monies from unprocessed sale of unit trust funds	24,561	18,884

45. CAPITAL COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	22,561	31,192
Purchase of furniture and fittings, office equipment and renovation	391	193
Leasehold improvements	5,493	13,488
	28,445	44,873
Authorised but not contracted for:		
Purchase of computer equipment and software	52,987	103,941
Purchase of furniture and fittings, office equipment and renovation	4	–
	52,991	103,941
	81,436	148,814

46. 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	
	2021 RM'000	2020 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,722,506	16,873,188
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,018,731	2,056,411
Unutilised credit card lines	5,151,236	5,127,590
Forward asset purchases	894,498	1,989,103
	25,786,971	26,046,292
Contingent Liabilities		
Direct credit substitutes	2,113,258	2,553,489
Transaction related contingent items	4,303,726	4,286,704
Obligations under underwriting agreements	–	20,000
Short-term self-liquidating trade-related contingencies	694,409	723,120
	7,111,393	7,583,313
Derivative Financial Instruments		
Interest/Profit rate related contracts:	45,754,858	53,347,175
One year or less	13,551,363	10,348,960
Over one year to five years	27,165,318	36,463,230
Over five years	5,038,177	6,534,985
Foreign exchange related contracts:	56,479,420	44,371,910
One year or less	47,993,667	34,805,859
Over one year to five years	7,097,188	8,625,327
Over five years	1,388,565	940,724
Credit related contracts:	347,950	356,069
One year or less	347,950	–
Over one year to five years	–	356,069
Equity and commodity related contracts:	1,519,073	1,769,895
One year or less	1,434,391	1,637,855
Over one year to five years	84,682	132,040
	104,101,301	99,845,049
	136,999,665	133,474,654

46. 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 has given an unsecured guarantee amounting to RM50.0 million (2020: RM50.0 million) 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.

(b) AmMetLife Insurance Berhad ("AmMetLife") had received complaints from policyholders relating to the alleged mis-selling of certain insurance product of AmMetLife in previous years. AMAB Holdings Sdn Bhd ("AMAB Holdings") and MetLife International Holdings, Inc ("MetLife") have jointly resolved this matter amicably with the affected policyholders.

Under the terms for the sale of AmMetLife's shares by AMAB Holdings to MetLife, 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.

This indemnity given by AMAB Holdings to MetLife in relation to the mis-selling of certain insurance products of AmMetLife had expired on 30 April 2021. Moving forward, this matter will no longer be a commitment and/or contingency of the Group.

(c) The Malaysia Competition Commission ("MyCC")'s Proposed Decision against Persatuan Insurans Am Malaysia ("PIAM") and its 22 members (including AmGeneral Insurance Berhad, a subsidiary).

On 25 September 2020, AmGeneral Insurance Berhad ("AmGeneral") received the Notice of Finding of an infringement by the Competition Commission ("the Commission") under section 40 of the Competition Act 2010 ("CA 2010").

Pursuant to section 40 of CA 2010, the Commission has determined that PIAM and its 22 members have infringed the prohibition under section 4 of CA 2010 by participating in an agreement that significantly prevents, restricts or distorts competition in relation to PIAM Approved Repairers Scheme.

The penalty imposed of RM13.7 million was lower than the initial proposed decision by MyCC since 27 February 2017 of RM45.2 million.

On 13 October 2020, AmGeneral submitted a Notice of Appeal to MyCC pursuant to Section 51 of the CA and on 23 October 2020, submitted an Application for Stay to the Competition Appeal Tribunal pursuant to Section 53 of the CA. On 23 March 2021, the Tribunal unanimously decided to grant a stay of the financial penalties pending the disposal of the appeal.

(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 been advised by the solicitors that the allegations are not sustainable and AmBank Islamic and the Company have a strong defence.

On 28 September 2020, the High Court struck out the Plaintiff's suit against AmBank Islamic and the Company. The Plaintiff has filed an appeal against the High Court's decision. Court of Appeal has fixed 3 August 2021 for hearing.

47. 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	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2021			
ASSETS			
Cash and short-term funds	18,809,478	–	18,809,478
Deposits and placements with banks and other financial institutions	103,028	–	103,028
Derivative financial assets	375,880	915,310	1,291,190
Financial assets at fair value through profit or loss	5,828,383	3,733,591	9,561,974
Financial investments at fair value through other comprehensive income	4,956,126	12,830,072	17,786,198
FInancial investments at amortised cost	74,971	4,117,453	4,192,424
Loans, advances and financing	28,519,992	83,958,327	112,478,319
Statutory deposits with Bank Negara Malaysia	–	425,278	425,278
Deferred tax assets	–	134,350	134,350
Investment in associates and joint ventures	–	588,937	588,937
Other assets	2,219,530	221,906	2,441,436
Reinsurance assets and other insurance receivables	292,613	140,071	432,684
Property and equipment	–	215,934	215,934
Right-of-use assets	–	270,753	270,753
Intangible assets	–	1,443,947	1,443,947
Assets held for sale	2,324	–	2,324
TOTAL ASSETS	61,182,325	108,995,929	170,178,254
LIABILITIES			
Deposits from customers	119,079,185	1,464,001	120,543,186
Investment accounts of customers	94,834	–	94,834
Deposits and placements of banks and other financial institutions	8,877,958	1,042,929	9,920,887
Securities sold under repurchase agreements	810,171	–	810,171
Recourse obligation on loans and financing sold to Cagamas Berhad	6,550,012	725,006	7,275,018
Derivative financial liabilities	392,422	877,387	1,269,809
Term funding	912,505	837,365	1,749,870
Debt capital	–	4,295,000	4,295,000
Redeemable cumulative convertible preference share	–	238,713	238,713
Deferred tax liabilities	–	19,669	19,669
Other liabilities	5,003,889	887,842	5,891,731
Insurance contract liabilities and other insurance payables	1,669,137	809,870	2,479,007
TOTAL LIABILITIES	143,390,113	11,197,782	154,587,895

47. 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	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2020			
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
Right-of-use assets	–	317,679	317,679
Intangible assets	–	3,261,506	3,261,506
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

47. 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	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2021			
ASSETS			
Cash and short-term funds	689,326	–	689,326
Financial assets at fair value through profit or loss	–	1,104	1,104
Investment in subsidiaries and other investments	–	10,407,425	10,407,425
Other assets	1,833,358	–	1,833,358
Property and equipment	–	1	1
TOTAL ASSETS	2,522,684	10,408,530	12,931,214
LIABILITIES			
Other liabilities	2,357,422	515,000	2,872,422
TOTAL LIABILITIES	2,357,422	515,000	2,872,422

Company	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
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	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

48. 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.

48. CAPITAL MANAGEMENT (CONT'D.)

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 positions.

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

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

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

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

	2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Total Capital Ratio	15.650%	16.661%	27.374%	14.481%
After deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Total Capital Ratio	15.650%	16.553%	27.374%	14.481%

48. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows: (cont'd.)

	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%

Notes:

(1) The capital adequacy ratios of the Group as at 31 March 2020 were computed in accordance with 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.

Pursuant to the revised BNM policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios computed as at 31 March 2021 had applied the transitional arrangements on provision for ECL. Under the transitional arrangements, the Group is allowed to add back the amount of loss allowance for non-credit-impaired exposure (i.e. Stage 1 and Stage 2 provisions) to CET1 Capital. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries are as follows:

	2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Total Capital Ratio	15.378%	15.631%	27.374%	14.135%
After deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Total Capital Ratio	15.378%	15.523%	27.374%	14.135%

48. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows: (cont'd.)

Notes: (cont'd.)

(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.

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 guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued, financial institutions are required to maintain minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital ratio at all times. In addition, financial institutions are also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%;
(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the 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 ("D-SIB").

(b) Should the Private Placement disclosed in Note 28 completed as at current financial year, the capital adequacy ratios of the Group would be as follows:

	Group
Had the transitional arrangements refer Note (1) above been applied,	
CET1 Capital Ratio	12.040%
Tier 1 Capital Ratio	12.041%
Total Capital Ratio	15.184%
Had the transitional arrangements refer Note (1) above not been applied,	
CET1 Capital Ratio	11.132%
Tier 1 Capital Ratio	11.132%
Total Capital Ratio	14.841%

48. CAPITAL MANAGEMENT (CONT'D.)

(c) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 1	2,590,465	1,387,107	330,000	5,551,557
Retained earnings	5,591,998	2,341,323	35,695	7,876,333
Fair value reserve	457,552	43,972	1,539	691,067
Foreign exchange translation reserve	88,443	–	–	94,992
Treasury shares	–	–	–	(20,970)
Cash flow hedging deficit	(16,949)	–	–	(16,949)
Other remaining disclosed reserves	–	–	–	67,778
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(254,134)	(718)	(1,872)	(257,225)
Deferred tax assets	(95,580)	(62,877)	(5,841)	(157,666)
55% of cumulative gains in fair value reserve	(251,654)	(24,185)	(846)	(380,087)
Cash flow hedging deficit	16,949	–	–	16,949
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	(1,197)	(183)	–	(1,254)
Other CET1 regulatory adjustments specified by BNM	529,759	502,728	–	1,032,479
CET1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,512**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	445
Tier 1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,957**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,759,714
General provisions*	555,618	256,523	3	812,060
Tier 2 Capital	**3,550,618**	**1,556,523**	**3**	**3,571,774**
Total Capital	**12,197,782**	**5,743,690**	**308,869**	**16,431,731**

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

Credit RWA	69,875,702	33,139,511	839,127	102,337,880
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(796,005)	–	(76,493)
Total Credit RWA	69,875,702	32,343,506	839,127	102,261,387
Market RWA	2,681,941	508,561	15,027	3,734,468
Operational RWA	4,505,648	1,622,712	274,163	6,598,842
Large exposure risk RWA for equity holdings	877,587	–	–	878,254
Total RWA	**77,940,878**	**34,474,779**	**1,128,317**	**113,472,951**

Note 1 On 30 March 2021, AmBank and AmInvestment Bank increased its issued and paid-up ordinary share capital by RM650.0 million and RM130.0 million through the issuance of 66,394,280 and 114,035,088 new ordinary shares respectively. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of AmBank and AmInvestment Bank.

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

48. CAPITAL MANAGEMENT (CONT'D.)

(c) 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.)

	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**

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**

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

49. RISK MANAGEMENT

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

The Risk Appetite Framework provides portfolio limits/controls for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Technology 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 Management ("ORM") tools.

The Group Risk Direction

The Group's FY2021 – 2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of ≥10%, (2) Sharpening Our Segment Play, (3) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance ("ESG") Considerations into Our Business and (8) Exploring Digital Bank.

1. The Group aspires to maintain the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").

2. The Group aims to maintain a minimum ROCE of 12% and an RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").

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

4. The 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) at the prevailing regulatory minimum (effective July 2020).

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

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

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

49. RISK MANAGEMENT

49.1 General Risk Management (cont'd.)

Risk Management Governance (cont'd.)

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 subsidiaries to facilitate suitable escalation of issues of concern across the organisation.

Impact of COVID-19

Risk management is an integral part of the Group's culture and is embedded within its business, operations and decision making processes. The 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 in-check, given the permissible higher levels of remote access to data and core systems; and
- ensuring key services to customers remain available throughout the period while taking precautions to ensure compliance with the MCO requirements.

The 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.

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

The Group has been continuously engaging our SME customers through multiple channels and have been encouraging them to reach out to the banking subsidiaries if assistance is needed. We have also carried out reviews on our customers, especially those in vulnerable sectors and segments, to ascertain if immediate assistance is required. On-going monitoring of the performance of the larger SMEs is also in place.

Various packages have been set out to mitigate credit risk performance arising from the COVID-19 global pandemic post the completion of the government's auto-moratorium period. These will be offered to performing customers with a minimum banking vintage relationship with the banking subsidiaries and includes:

(1) Reduction of repayment commitments:

   a) Step-up repayment whilst maintaining the tenure; or
   b) Extension of tenure

(2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants and aviation) has also been undertaken.

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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assesment criteria and acceptance criteria (program lending)
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. Please refer to Note 49.9 for discussion on Shariah Governance Structure.

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.

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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

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 internal limits designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing;
- Non-Retail Credit Policy ("NRCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- 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; and
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

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

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

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

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 statements 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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis

Group	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
2021								
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	21,657	125,850	120,853	–	311	2,470	1,285	271,826
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	42,154	115,985	–	–	176,286	–	66,773	401,198
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	–	375,167	29,358	986,245	964,607	488,923	91,627	2,935,927
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	94,834	–	–	381,382	1,682,260	–	92,162	2,253,638
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	94,834	–	–	381,382	1,682,260	–	92,162	2,253,638
Loans, advances and financing								
Hire purchase	515	397	10,551	667	9,605	68,911	9,489	100,135
Mortgage	5,954	2,380	44,016	3,503	53,338	76,837	12,810	198,838
Credit card	–	–	–	–	–	–	–	–
Other loans, advances and financing	126,185	47,772	681,999	80,501	726,819	1,418,885	239,742	3,321,903
Corporate loans, advances and financing								
Term loans and bridging loans	1,475,249	2,691,857	6,470,469	199,477	1,003,145	3,322,761	3,026,492	18,189,450
Revolving credits	696,013	149,089	1,705,397	749,952	1,280,733	374,204	514,067	5,469,455
Overdrafts	142,503	26,947	603,013	98,401	826,631	685,085	130,107	2,512,687
Trade	217,158	20,893	5,132,039	83,988	816,640	3,015,064	542,537	9,828,319
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,663,577	2,939,335	14,647,484	1,216,489	4,716,911	8,961,747	4,475,244	39,620,787
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	547	5,706	8,751	31,061	68,230	2,470	4,117	120,882
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	547	5,706	8,751	31,061	68,230	2,470	4,117	120,882
	2,822,769	3,562,043	14,805,846	2,615,177	7,608,605	9,455,610	4,734,208	45,604,258
Commitments	5,138,469	222,740	3,547,717	138,748	2,923,900	2,087,731	483,661	14,542,966
Contingent liabilities	1,406,768	435,526	869,873	475,092	2,665,962	326,985	158,800	6,339,006
Total commitments and contingent liabilities	6,545,237	658,266	4,417,590	613,840	5,589,862	2,414,716	642,461	20,881,972

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	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
2021										
Cash and short-term funds	–	5,247,287	13,564,522	–	–	–	–	–	(2,331)	18,809,478
Deposits and placements with banks and other financial institutions	–	103,070	–	–	–	–	–	–	(42)	103,028
Derivative financial assets	271,826	988,906	–	727	10,303	95	3,492	15,841	–	1,291,190
Financial assets at fair value through profit or loss										
Money market securities	–	84,892	4,031,457	–	–	–	–	–	–	4,116,349
Quoted corporate bonds and sukuk	–	37,538	–	–	–	–	–	–	–	37,538
Unquoted corporate bonds and sukuk	401,198	1,151,865	740,028	219,562	–	–	–	1,615,218	–	4,127,871
Financial investments at fair value through other comprehensive income										
Money market securities	–	449,416	7,211,933	–	–	–	–	–	–	7,661,349
Unquoted corporate bonds and sukuk	2,935,927	3,110,540	1,716,902	264,885	99,999	10,009	–	1,299,795	–	9,438,057
Financial investments at amortised cost										
Money market securities	–	–	402,577	–	–	–	–	–	–	402,577
Unquoted corporate bonds and sukuk	2,253,638	770,603	284,736	245,299	25,000	–	–	221,401	–	3,800,677
Allowances for ECL	–	–	–	–	–	–	–	–	(10,830)	(10,830)
Total financial investments at amortised cost	2,253,638	770,603	687,313	245,299	25,000	–	–	221,401	(10,830)	4,192,424
Loans, advances and financing										
Hire purchase	100,135	510	–	1,296	24,472	3,110	13,082,621	–	–	13,212,144
Mortgage	198,838	5,622	–	92,445	82,434	21,823	39,710,697	–	–	40,111,859
Credit card	–	–	–	–	11,009	–	2,536,186	–	–	2,547,195
Other loans, advances and financing	3,321,903	23,984	–	432,034	566,945	119,758	4,971,303	–	–	9,435,927
Corporate loans, advances and financing										
Term loans and bridging loans	18,189,450	427,606	–	4,784,320	1,394,989	658,263	383,840	–	–	25,838,468
Revolving credits	5,469,455	1,687,472	–	2,157,237	175,965	96,981	842,094	25,775	–	10,454,979
Overdrafts	2,512,687	28,225	–	222,420	142,993	75,191	88,718	–	–	3,070,234
Trade	9,828,319	149,780	–	33,783	28,476	47,344	–	–	–	10,087,702
Allowances for ECL	–	–	–	–	–	–	–	–	(2,280,189)	(2,280,189)
Total loans, advances and financing	39,620,787	2,323,199	–	7,723,535	2,427,283	1,022,470	61,615,459	25,775	(2,280,189)	112,478,319
Statutory deposits with Bank Negara Malaysia	–	–	425,278	–	–	–	–	–	–	425,278
Other financial assets	120,882	997,966	239,046	35,387	114,008	280	90,301	367,221	–	1,965,091
Allowances for ECL	–	–	–	–	–	–	–	–	(6,604)	(6,604)
Total other financial assets	120,882	997,966	239,046	35,387	114,008	280	90,301	367,221	(6,604)	1,958,487
	45,604,258	15,265,282	28,616,479	8,489,395	2,676,593	1,032,854	61,709,252	3,545,251	(2,299,996)	164,639,368
Commitments	14,542,966	933,741	1,393,147	641,573	222,787	4,984,914	3,007,825	60,018	–	25,786,971
Contingent liabilities	6,339,006	118,091	282,318	191,457	171,253	9,268	–	–	–	7,111,393
Total commitments and contingent liabilities	20,881,972	1,051,832	1,675,465	833,030	394,040	4,994,182	3,007,825	60,018	–	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	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
2020 (Restated)								
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	732	357	7,137	169	9,622	61,395	8,242	87,654
Mortgage	6,917	2,433	54,925	2,330	57,644	85,501	11,154	220,904
Credit card	–	–	–	–	–	–	–	–
Other loans, advances and financing	116,585	38,119	649,159	17,403	570,055	1,175,547	144,030	2,710,898
Corporate loans, advances and financing								
Term loans and bridging loans	1,665,580	2,278,824	5,536,993	314,275	833,407	2,103,983	2,331,289	15,064,351
Revolving credits	766,099	102,662	1,737,263	500,913	1,580,298	449,001	501,504	5,637,740
Overdrafts	180,757	22,889	718,136	6,998	962,919	829,048	130,023	2,850,770
Trade	228,970	45,583	4,671,094	10,331	852,227	2,986,651	428,146	9,223,002
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,965,640	2,490,867	13,374,707	852,419	4,866,172	7,691,126	3,554,388	35,795,319
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
	3,212,397	3,446,888	13,515,799	1,996,314	7,808,987	8,202,195	4,831,512	43,014,092
Commitments	515,243	256,340	5,048,401	564,390	4,762,378	2,226,927	727,170	14,100,849
Contingent liabilities	80,803	630,785	1,269,661	552,423	3,036,205	626,022	208,964	6,404,863
Total commitments and contingent liabilities	596,046	887,125	6,318,062	1,116,813	7,798,583	2,852,949	936,134	20,505,712

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	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
2020 (Restated)										
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	87,654	482	–	2,068	8,769	4,888	12,968,573	–	–	13,072,434
Mortgage	220,904	8,480	–	96,228	104,536	63,186	35,910,153	–	–	36,403,487
Credit card	–	–	–	–	15,434	–	2,584,135	–	–	2,599,569
Other loans, advances and financing	2,710,898	43,076	–	352,044	625,333	277,298	3,404,855	–	–	7,413,504
Corporate loans, advances and financing										
Term loans and bridging loans	15,064,351	645,366	–	4,702,694	1,519,067	207,535	352,490	–	–	22,491,503
Revolving credits	5,637,740	2,205,033	–	2,690,760	260,269	293,552	1,006,882	26,443	–	12,120,679
Overdrafts	2,850,770	84,761	–	261,915	209,880	81,409	90,867	–	–	3,579,602
Trade	9,223,002	166,359	–	22,357	121,408	4,706	–	–	–	9,537,832
Allowances for ECL	–	–	–	–	–	–	–	–	(1,267,680)	(1,267,680)
Total loans, advances and financing	35,795,319	3,153,557	–	8,128,066	2,864,696	932,574	56,317,955	26,443	(1,267,680)	105,950,930
Statutory deposits with Bank Negara Malaysia	–	–	489,006	–	–	–	–	–	–	489,006
Other financial assets	127,749	1,496,547	148,573	44,115	31,209	419	51,476	472,529	–	2,372,617
Allowances for ECL	–	–	–	–	–	–	–	–	(8,152)	(8,152)
Total other financial assets	127,749	1,496,547	148,573	44,115	31,209	419	51,476	472,529	(8,152)	2,364,465
	43,014,092	13,558,934	34,257,958	9,042,641	2,922,787	943,349	56,370,710	3,650,455	(1,282,092)	162,478,834
Commitments	14,100,849	401,553	1,989,103	783,627	573,003	412,154	7,734,176	51,827	–	26,046,292
Contingent liabilities	6,404,863	180,480	–	606,562	218,064	172,240	1,104	–	–	7,583,313
Total commitments and contingent liabilities	20,505,712	582,033	1,989,103	1,390,189	791,067	584,394	7,735,280	51,827	–	33,629,605

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Company	Finance and Insurance RM'000
2021	
Cash and short-term funds	689,326
Other financial assets	1,833,125
Total financial assets	2,522,451
2020	
Cash and short-term funds	322,262
Other financial assets	255
Total financial assets	322,517

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2021			
Cash and short-term funds	16,304,602	2,507,207	18,811,809
Less: Allowances for ECL	(1,280)	(1,051)	(2,331)
Total cash and short-term funds	16,303,322	2,506,156	18,809,478
Deposits and placements with banks and other financial institutions	103,070	–	103,070
Less: Allowances for ECL	(42)	–	(42)
Total deposits and placements with banks and other financial institutions	103,028	–	103,028
Derivative financial assets	1,031,019	260,171	1,291,190
Financial assets at fair value through profit or loss			
Money market securities	4,116,349	–	4,116,349
Quoted corporate bonds and sukuk	37,538	–	37,538
Unquoted corporate bonds and sukuk	4,127,871	–	4,127,871
Financial investments at fair value through other comprehensive income			
Money market securities	7,587,305	74,044	7,661,349
Unquoted corporate bonds and sukuk	9,391,913	46,144	9,438,057
Financial investments at amortised cost			
Money market securities	402,577	–	402,577
Unquoted corporate bonds and sukuk	3,800,677	–	3,800,677
Less: Allowances for ECL	(10,830)	–	(10,830)
Total financial investments at amortised cost	4,192,424	–	4,192,424
Loans, advances and financing			
Hire purchase	13,212,144	–	13,212,144
Mortgage	40,111,859	–	40,111,859
Credit card	2,547,195	–	2,547,195
Other loans, advances and financing	9,435,927	–	9,435,927
Corporate loans, advances and financing			
Term loans and bridging loans	25,289,489	548,979	25,838,468
Revolving credits	10,345,300	109,679	10,454,979
Overdrafts	3,070,234	–	3,070,234
Trade	10,087,702	–	10,087,702
Less: Allowances for ECL	(2,248,169)	(32,020)	(2,280,189)
Total loans, advances and financing	111,851,681	626,638	112,478,319
Statutory deposits with Bank Negara Malaysia	425,278	–	425,278
Other financial assets	1,704,667	260,424	1,965,091
Less: Allowances for ECL	(5,357)	(1,247)	(6,604)
Total other financial assets	1,699,310	259,177	1,958,487
Commitments	25,667,514	119,457	25,786,971
Contingent liabilities	7,069,948	41,445	7,111,393
Total commitments and contingent liabilities	32,737,462	160,902	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis (cont'd.)

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	14,564,051	1,048,538	15,612,589
Less: Allowances for ECL	–	(861)	(861)
Total cash and short-term funds	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)
Total deposits and placements with banks and other financial institutions	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, advances and financing	7,413,504	–	7,413,504
Corporate loans, advances 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
Less: 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	1,784,915	587,702	2,372,617
Less: Allowances for ECL	(3,674)	(4,478)	(8,152)
Total other financial assets	1,781,241	583,224	2,364,465
Commitments	25,892,117	154,175	26,046,292
Contingent liabilities	7,540,168	43,145	7,583,313
Total commitments and contingent liabilities	33,432,285	197,320	33,629,605

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis (cont'd.)

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2021			
Cash and short-term funds	689,326	–	689,326
Other financial assets	1,833,125	–	1,833,125
	2,522,451	–	2,522,451

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	322,262	–	322,262
Other financial assets	255	–	255
	322,517	–	322,517

Collateral and other credit enhancement

Collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. The collateral accepted for credit risk mitigation comprises financial collateral, real estate, other physical asset and guarantees.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

The Credit Risk Mitigation Policy is the internally recognised collateral framework. Any collateral that is not listed in the said policy or does not conform to the requirements outlined in that policy is not eligible for capital relief for regulatory capital purposes.

Processes for collateral management

The concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. Where a counterparty's corporate guarantor is rated better than the counterparty, the credit risk rating of the counterparty shall be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions.

Guarantee by a counterparty with lower rating than the borrower/customer is not recognised for credit risk mitigation purposes.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the tenure of the loan/financing, amortisation schedules and loan/financing covenants. These assist in managing credit risk and providing early warning signals to enable pre-emptive actions to protect the quality or recoverability of loan/financing assets.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

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) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). The following categories based on the descriptions are appended below.

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 to 14	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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Retail Banking (cont'd.)

Risk Grade	Category	PD ranges	Description
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.

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; and – 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; and – 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; and – 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; and – 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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Non-Retail Banking (cont'd.)

Credit Quality Classification	Definition
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; and – 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; and – 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; and – 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.

Impairment

The Group's CAM Policy and its corresponding Guidelines for the respective Line of Businesses are established to align with the 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.

Where exposures are being restructured, such restructuring is guided by the definition and requirements of R&R provided by BNM Credit Risk Policy.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

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

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 losses	Lifetime expected credit losses	Lifetime expected credit losses

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 SICR 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 12-month ECL calculation when exposure was initially recognised.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Significant increase in credit risk ("SICR") (cont'd.)

(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 4 risk bands i.e. low risk, medium risk, high risk and very high risk whereby movements to a poorer band 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 and Business 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(s) 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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (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;
- Loss Given Default; and
- Exposure At Default
  or
- Historical Loss Rates

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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (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 2021 and 31 March 2020. (Yearly values = average of forecasted quarterly values).

31 March 2021

Macroeconomic Variable	ECL Scenario	Assigned Probabilities (%)	2021	2022	2023	2024	2025
Consumer Price Index (%)	Base Case	40%	1.84	2.46	2.28	2.00	1.80
	Optimistic	10%	2.06	2.56	2.39	2.10	1.89
	Pessimistic	50%	1.74	2.32	2.16	1.90	1.71
GDP Growth (%)	Base Case	40%	5.86	5.20	4.95	4.70	4.80
	Optimistic	10%	6.43	6.00	5.18	4.94	5.04
	Pessimistic	50%	(1.00)	4.63	4.70	4.47	4.56
House Price Index (%)	Base Case	40%	0.00	1.80	2.58	3.60	3.50
	Optimistic	10%	0.18	2.03	2.91	3.78	3.68
	Pessimistic	50%	(0.70)	1.35	2.35	3.42	3.33
USD/MYR Exchange Rate	Base Case	40%	4.09	4.02	3.95	4.13	4.15
	Optimistic	10%	4.03	3.96	3.88	3.92	3.95
	Pessimistic	50%	4.15	4.08	4.07	4.34	4.36
Brent Oil Price (USD/barrel)	Base Case	40%	59.93	58.25	58.00	51.00	50.00
	Optimistic	10%	62.92	61.16	60.90	53.55	52.50
	Pessimistic	50%	56.93	55.34	55.10	48.45	47.50

31 March 2020

Macroeconomic 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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (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 2021 was RM496,651,000 (2020: RM1,053,171,000). 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. The Group then monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring and if so, the assets are moved from Stage 2 ("Lifetime ECL") or Stage 3 to Stage 1 ("12-month ECL"). This is only the case for assets which have performed in accordance with the new terms for at least six consecutive months or more.

Asset modification due to COVID-19 may continue to be classified as Stage 1 if they are within the criteria set out.

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	
	2021 RM'000	2020 RM'000
Loans, advances and financing		
Amortised cost before modification	67,192,176	1,274,790
Net modification loss included under interest income	(433,805)	(4,088)

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49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	14,939,647	–	14,939,647
Very strong	3,790,100	–	3,790,100
Strong	81,743	44	81,787
Substandard	–	48	48
Unrated	227	–	227
Gross exposure	18,811,717	92	18,811,809
Less: Allowances for ECL	(2,310)	(21)	(2,331)
Net exposure	18,809,407	71	18,809,478

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	14,264,578	–	14,264,578
Very strong	1,334,960	–	1,334,960
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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Stage 1 12-month ECL RM'000
2021	
Risk grade	
Very strong	689,326
Net exposure	689,326

Company	Stage 1 12-month ECL RM'000
2020	
Risk grade	
Very strong	322,262
Net exposure	322,262

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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 amortised cost

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	402,577	–	402,577
Very strong	1,737,593	–	1,737,593
Strong	55,216	–	55,216
Satisfactory	395,770	–	395,770
Marginal	–	1,612,098	1,612,098
Gross exposure	2,591,156	1,612,098	4,203,254
Less: Allowances for ECL	(2,281)	(8,549)	(10,830)
Net exposure	2,588,875	1,603,549	4,192,424

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	432,436	–	432,436
Very strong	2,294,895	–	2,294,895
Strong	471,265	–	471,265
Satisfactory	1,614,131	–	1,614,131
Substandard	45,000	–	45,000
Unrated	–	–	–
Gross exposure	4,857,727	–	4,857,727
Less: Allowances for ECL	(4,914)	–	(4,914)
Net exposure	4,852,813	–	4,852,813

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	7,137,888	–	7,137,888
Very strong	7,061,225	10,009	7,071,234
Strong	1,766,493	–	1,766,493
Satisfactory	36,428	–	36,428
Moderate	180,912	366,292	547,204
Substandard	540,159	–	540,159
Gross exposure	16,723,105	376,301	17,099,406
Less: Allowances for ECL	(11,224)	(6,847)	(18,071)
Net exposure	16,711,881	369,454	17,081,335

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	8,251,483	–	8,251,483
Very strong	8,399,775	–	8,399,775
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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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, advances and financing

Group	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
2021				
Risk grade				
Exceptionally strong	45,929	12	–	45,941
Very strong	43,685,448	586,441	–	44,271,889
Strong	19,643,795	704,609	–	20,348,404
Satisfactory	23,157,853	3,616,313	–	26,774,166
Moderate	8,314,967	3,535,307	–	11,850,274
Marginal	1,379,942	2,795,612	–	4,175,554
Substandard	1,049,734	4,422,366	–	5,472,100
Unrated	49,860	–	–	49,860
Impaired	–	–	1,770,320	1,770,320
Gross exposure	97,327,528	15,660,660	1,770,320	114,758,508
Less: Allowances for ECL	(433,435)	(1,312,123)	(534,631)	(2,280,189)
Net exposure	96,894,093	14,348,537	1,235,689	112,478,319

Group	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
2020				
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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	480,709	–	480,709
Very strong	640,229	–	640,229
Strong	134,388	–	134,388
Satisfactory	98,900	–	98,900
Moderate	4,489	–	4,489
Marginal	16,720	–	16,720
Substandard	60,425	–	60,425
Unrated	524,289	–	524,289
Impaired	–	4,942	4,942
Gross exposure	1,960,149	4,942	1,965,091
Less: Allowances for ECL	(1,662)	(4,942)	(6,604)
Net exposure	1,958,487	–	1,958,487

Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	677,856	–	677,856
Very strong	792,779	–	792,779
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	2,365,959	6,658	2,372,617
Less: Allowances for ECL	(1,649)	(6,503)	(8,152)
Net exposure	2,364,310	155	2,364,465

Company	Lifetime ECL not credit impaired	
	2021 RM'000	2020 RM'000
Risk grade		
Very strong	1,833,125	255
Net exposure	1,833,125	255

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	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
2021				
Risk grade				
Exceptionally strong	150,286	–	–	150,286
Very strong	15,219,388	120,426	–	15,339,814
Strong	4,316,302	91,657	–	4,407,959
Satisfactory	7,606,838	582,098	–	8,188,936
Moderate	1,933,338	331,565	–	2,264,903
Marginal	391,626	410,569	–	802,195
Substandard	299,133	405,036	–	704,169
Unrated	76,521	–	–	76,521
Impaired	–	–	69,083	69,083
Gross exposure	29,993,432	1,941,351	69,083	32,003,866
Less: Allowances for ECL	(30,429)	(37,348)	(52,733)	(120,510)
Net exposure	29,963,003	1,904,003	16,350	31,883,356

Group	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
2020				
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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Deposits and placements with banks and other financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000
2021		
Risk grade		
Exceptionally strong	–	425,278
Very strong	103,070	–
Gross exposure	103,070	425,278
Less: Allowances for ECL	(42)	–
Net exposure	103,028	425,278

Stage 1 Group	Deposits and placements with banks and other financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000
2020		
Risk grade		
Exceptionally strong	–	489,006
Very strong	99,330	–
Gross exposure	99,330	489,006
Less: Allowances for ECL	(485)	–
Net exposure	98,845	489,006

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c 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	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2021		
Risk grade		
Exceptionally strong	7,121,333	130,103
Very strong	953,809	778,865
Strong	109,924	105,806
Satisfactory	96,692	153,611
Moderate	–	116,067
Marginal	–	3,015
Substandard	–	19
Unrated	–	3,704
Net exposure	8,281,758	1,291,190

Stage 1 Group	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2020		
Risk grade		
Exceptionally strong	10,713,399	32,058
Very strong	751,389	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
Net exposure	11,904,415	2,077,281

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1d 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 2021 RM'000	Gross exposure to credit risk 2020 RM'000	Financial effect of collateral 2021 RM'000	Financial effect of collateral 2020 RM'000	Unsecured portion of credit exposure 2021 RM'000	Unsecured portion of credit exposure 2020 RM'000
Gross loans, advances and financing						
Hire purchase	13,212,144	13,072,434	12,572,591	12,720,991	639,553	351,443
Mortgage	40,111,859	36,403,487	39,781,085	36,189,620	330,774	213,867
Credit card	2,547,195	2,599,569	45,564	43,621	2,501,631	2,555,948
Other loans, advances and financing	9,435,927	7,413,504	8,036,966	4,784,427	1,398,961	2,629,077
Corporate loans, advances and financing	49,451,383	47,729,616	23,410,699	22,893,253	26,040,684	24,836,363
Term loans and bridging loans	25,838,468	22,491,503	14,547,137	12,944,163	11,291,331	9,547,340
Revolving credits	10,454,979	12,120,679	3,734,854	4,601,150	6,720,125	7,519,529
Overdrafts	3,070,234	3,579,602	1,846,142	2,150,435	1,224,092	1,429,167
Trade (include factoring)	10,087,702	9,537,832	3,282,566	3,197,505	6,805,136	6,340,327
Total	114,758,508	107,218,610	83,846,905	76,631,912	30,911,603	30,586,698

49.2.1e Collateral repossessed

	Group 2021 RM'000	Group 2020 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	2,308	2,300
	2,458	2,450

The above assets are accounted for as foreclosed properties under other assets (Note 18). There were no new assets obtained for the financial year 2021 and 2020.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1f 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	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2021				
Credit-impaired financial assets				
Hire purchase	68,243	26,841	41,402	62,175
Mortgage	609,914	162,799	447,115	534,269
Credit card	60,852	35,040	25,812	243
Other loans and financing	143,221	33,793	109,428	106,663
Corporate loans, advances and financing				
Term loans and bridging loans	596,799	108,749	488,050	557,526
Revolving credits	118,127	68,147	49,980	106,869
Overdrafts	103,909	43,153	60,756	47,918
Trade	69,255	56,109	13,146	11,810
Total credit-impaired financial assets	1,770,320	534,631	1,235,689	1,427,473

Group	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2020				
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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1g Exposures to COVID-19 impacted sectors

The table below shows the gross carrying amount of loans, advances and financing by industry sectors that are most impacted by COVID-19:

Group	Gross loans, advances and financing 2021 RM'000	Gross loans, advances and financing 2020 RM'000
Retail and Wholesale/Trading	8,257,648	7,125,034
Accommodation	539,004	400,743
Travel Agencies/Tourism	14,096	9,150
Airline/Aviation	180,375	137,596
Food and Beverage Services/Restaurants	165,198	142,151
	9,156,321	7,814,674

49.2.1h COVID-19 customer relief and support measures

Other than the auto moratorium between April to September 2020, the Group has further supported its customers by providing post moratorium repayment assistance during this challenging and difficult time of COVID-19. The table below shows the relief and support measures for retail and non-retail customers as at 31 March 2021:

Group	Retail customers as at 31 March 2021						Non-retail customers as at 31 March 2021				
	Mortgages RM'000	Hire purchase RM'000	Credit card RM'000	Personal financing RM'000	SMEs RM'000	Total RM'000	SMEs RM'000	Corporates RM'000	Others RM'000	Total RM'000	Total RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R")	35,634,935	10,766,094	567,355	2,523,793	3,255,123	52,747,300	12,411,389	2,939,376	108,016	15,458,781	68,206,081
Resumed repayments	26,591,845	7,872,597	345,340	2,312,990	2,159,938	39,282,710	10,229,220	329,621	91,691	10,650,532	49,933,242
Extended and/or repaying as per revised schedules	8,683,225	2,254,435	119,001	110,899	1,018,380	12,185,940	1,616,648	2,435,128	16,325	4,068,101	16,254,041
Missed payments	359,865	639,062	103,014	99,904	76,805	1,278,650	565,521	174,627	–	740,148	2,018,798
As a percentage of total:											
Resumed repayments	75%	73%	61%	92%	66%	75%	82%	11%	85%	69%	73%
Extended and/or repaying as per revised schedules	24%	21%	21%	4%	31%	23%	13%	83%	15%	26%	24%
Missed payments	1%	6%	18%	4%	3%	2%	5%	6%	0%	5%	3%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1i Overlays and adjustments for expected credit losses amid COVID-19 environment

Due to the significant uncertainty as a consequence of the COVID-19 pandemic, management overlay is provided in anticipation of potential deterioration of credit risk for loans/financing where relief assistance is provided.

These overlays adjustments were taken to reflect the underlying borrower health outlook not fairly reflected in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays adjustments were generally made at portfolio level in determining the sufficient level of ECL and remain outside the core MFRS 9 process.

The overlay adjustments assumes a continuous restrictive economic environment due to COVID-19 into FY22 amount to RM749.5 million as at 31 March 2021.

49.3 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.

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

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/Measurement	• Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Depositor Concentration Ratios • Other Detailed Controls
Control/Mitigation	• LCR Limits • NSFR Limits/Triggers • 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 and NSFR policy issued by 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.

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

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, BNM NSFR, Depositor Concentration Ratios and other Liquidity Ratios. Investment Banking and Markets Risk ("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 institution deposits more than 1 year and debt instruments/long term borrowings more than 1 year.

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting*

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
2021								
Assets								
Cash and short-term funds	18,809,478	–	–	–	–	–	–	18,809,478
Deposits and placements with banks and other financial institutions	–	93,905	9,123	–	–	–	–	103,028
Derivative financial assets	45,413	142,953	120,264	67,250	661,931	253,379	–	1,291,190
Financial assets at fair value through profit or loss	648,792	892,929	670,203	3,616,459	1,081,140	2,419,631	232,820	9,561,974
Financial investments at fair value through other comprehensive income	416,894	1,281,515	1,167,817	2,089,900	7,592,284	4,473,013	764,775	17,786,198
Financial investments at amortised cost	–	5,001	30,007	39,963	1,353,253	2,764,200	–	4,192,424
Loans, advances and financing	1,638,617	104,685	391,173	26,385,517	17,214,335	66,743,992	–	112,478,319
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	425,278	–	425,278
Deferred tax assets	–	–	–	–	–	–	134,350	134,350
Investments in associates and joint ventures	–	–	–	–	–	–	588,937	588,937
Other assets	1,725,765	190,446	96,187	207,132	173,220	35,524	13,162	2,441,436
Reinsurance assets and other insurance receivables	56,366	68,979	82,569	84,699	132,697	7,374	–	432,684
Property and equipment	–	–	–	–	–	–	215,934	215,934
Right-of-use assets	–	–	–	–	402	–	270,351	270,753
Intangible assets	–	–	–	–	–	–	1,443,947	1,443,947
Assets held for sale	–	–	–	2,324	–	–	–	2,324
Total assets	23,341,325	2,780,413	2,567,343	32,493,244	28,209,262	77,122,391	3,664,276	170,178,254
Liabilities								
Deposits from customers	69,168,708	24,935,968	12,152,015	12,822,494	1,464,001	–	–	120,543,186
Investment accounts of customers	80,436	11,550	2,848	–	–	–	–	94,834
Deposits and placements of banks and other financial institutions	4,311,562	2,923,293	1,131,188	511,915	70,822	972,107	–	9,920,887
Securities sold under repurchase agreements	317,519	492,652	–	–	–	–	–	810,171
Recourse obligation on loans and financing sold to Cagamas Berhad	–	1,700,001	550,007	4,300,004	725,006	–	–	7,275,018
Derivative financial liabilities	71,682	136,166	99,215	85,359	641,057	236,330	–	1,269,809
Term funding	47,899	16,889	175,891	671,826	837,365	–	–	1,749,870
Debt capital	–	–	–	–	–	4,295,000	–	4,295,000
Redeemable cumulative convertible preference share	–	–	–	–	–	238,713	–	238,713
Deferred tax liabilities	–	–	–	–	–	–	19,669	19,669
Other liabilities	1,583,830	641,581	1,999,821	778,657	769,168	113,023	5,651	5,891,731
Insurance contract liabilities and other insurance payables	261,296	395,825	480,008	532,008	749,621	60,249	–	2,479,007
Total liabilities	75,842,932	31,253,925	16,590,993	19,702,263	5,257,040	5,915,422	25,320	154,587,895
Net gap	(52,501,607)	(28,473,512)	(14,023,650)	12,790,981	22,952,222	71,206,969	3,638,956	15,590,359

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (cont'd.)

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
2020								
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
Investments 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
Right-of-use assets	–	–	–	–	–	–	317,679	317,679
Intangible assets	–	–	–	–	–	–	3,261,506	3,261,506
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

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a 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
2021								
Assets								
Cash and short-term funds	689,326	–	–	–	–	–	–	689,326
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,104	1,104
Investments in subsidiaries and other investments	–	–	–	–	–	–	10,407,425	10,407,425
Other assets	1,833,358	–	–	–	–	–	–	1,833,358
Property and equipment	–	–	–	–	–	–	1	1
Total assets	2,522,684	–	–	–	–	–	10,408,530	12,931,214
Liabilities								
Other liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Total liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Net gap	2,522,401	–	(1,800,000)	(557,139)	(515,000)	–	10,408,530	10,058,792

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
2020								
Assets								
Cash and short-term funds	322,262	–	–	–	–	–	–	322,262
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,078	1,078
Investments 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

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1b 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
2021								
Liabilities								
Deposits from customers	69,803,272	25,160,446	12,258,820	12,935,385	1,477,304	–	–	121,635,227
Investment accounts of customers	80,715	11,618	2,850	–	–	–	–	95,183
Deposits and placements of banks and other financial institutions	4,363,451	2,949,900	1,140,547	515,988	71,464	979,839	–	10,021,189
Securities sold under repurchase agreements	318,570	494,825	–	–	–	–	–	813,395
Recourse obligation on loans and financing sold to Cagamas Berhad	13,506	1,743,531	590,244	4,367,654	738,512	–	–	7,453,447
Derivative financial liabilities	97,414	161,822	156,615	266,374	430,989	50,084	–	1,163,298
Term funding	95,794	25,489	229,986	691,663	938,600	–	–	1,981,532
Debt capital	26,132	31,417	45,320	852,767	3,873,672	–	–	4,829,308
Redeemable cumulative convertible preference share	–	–	–	–	–	238,713	–	238,713
Other liabilities	1,394,451	568,153	1,982,414	736,559	609,484	37,741	5,651	5,334,453
Insurance contract liabilities and other insurance payables	265,000	401,722	487,287	542,754	772,016	62,384	–	2,531,163
Total undiscounted liabilities	76,458,305	31,548,923	16,894,083	20,909,144	8,912,041	1,368,761	5,651	156,096,908
Contingent liabilities	692,477	797,990	1,008,945	1,842,527	2,597,057	172,397	–	7,111,393
Commitments	6,412,920	1,228,649	1,856,641	3,880,739	792,257	11,615,765	–	25,786,971
Total commitments and guarantees	7,105,397	2,026,639	2,865,586	5,723,266	3,389,314	11,788,162	–	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1b Analysis of Liabilities By Remaining Contractual Maturities on undiscounted basis (cont'd.)

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
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	77,830	62,194	71,172	–	–	–	–	211,196
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	77,330,424	31,586,425	14,534,388	16,723,969	11,311,425	658,697	28	152,145,356
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

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
2021								
Liability								
Other liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Total undiscounted liability	283	–	1,800,000	557,139	515,000	–	–	2,872,422

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
2020								
Liability								
Other liabilities	14,137	–	–	32,837	–	–	–	46,974
Total undiscounted liability	14,137	–	–	32,837	–	–	–	46,974

49. RISK MANAGEMENT (CONT'D.)

49.4 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	

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 explanation for any non-adherence event to 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.

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

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 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

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 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.

49. RISK MANAGEMENT (CONT'D.)

49.4 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.)

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 various 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.

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.

	2021 IRR/ROR		2020 IRR/ROR	
Group	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Impact on profit before taxation	(251,459)	275,809	(143,813)	151,914
Non-traded market risk				
Impact on profit before taxation	755,405	(755,073)	721,846	(712,078)
Impact on equity	(499,951)	538,289	(540,534)	582,047

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

Market Risk Sensitivity (cont'd.)

(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.

Group	2021 Currency rate		2020 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation				
USD	(43,133)	43,133	(3,953)	3,953
SGD	10,277	(10,277)	6,213	(6,213)
EUR	769	(769)	1,242	(1,242)
JPY	(402)	402	(665)	665
GBP	471	(471)	412	(412)
HKD	43,915	(43,915)	368	(368)
Others	902	(902)	(2,104)	2,104
Impact on equity				
USD	29,566	(29,566)	30,342	(30,342)
EUR	55	(55)	48	(48)

(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.

Group	2021 Equity price		2020 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation	108,909	(108,909)	8,907	(8,907)

49. RISK MANAGEMENT (CONT'D.)

49.5 Operational Risk Management ("ORM")

The ORM 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 Control 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 49.9 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 and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three (3) 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, validation of FLOD effectiveness and capital allocation, ORM training and reporting of operational risk triggers, breaches, Key Control Testing ("KCT") exceptions, operational loss incidents to GMRC, RMC and the Board.

- GIAD acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

49. RISK MANAGEMENT (CONT'D.)

49.5 Operational Risk Management ("ORM") (cont'd.)

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

- The 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 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.

49.5.1 Business Continuity Management ("BCM")

The BCM process is depicted in the table below:

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

The BCM function is an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and the identification of critical functions through BIA exercise, for the development of recovery strategy. BCM builds the resilience and recovery capability to safeguard the interest of the Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team units to ensure that the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace arrangements and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an integral part of the process to heighten BCM awareness and inculcate a business resiliency culture.

49. RISK MANAGEMENT (CONT'D.)

49.6 Cyber Risk Management

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

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

The Group has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

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

49.8 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 Chief Compliance Officer has a direct reporting line to the Risk Management Committee ("RMC") of the Board. A governance structure is in place for escalation and reporting of compliance risks and issues through monthly compliance reports to the RMC and Board.

The compliance framework details the roles and responsibilities for compliance with regulatory guidelines and requirements. The responsible parties are accountable for the management of compliance risks associated with the Group's processes and increasing awareness on the role of every employee to be compliant and safeguard the Group's reputation against any potential legal violations and/or regulatory non-compliance. The Senior Management team is responsible for communicating the compliance framework to all employees, as well as implementing appropriate actions for non-compliances.

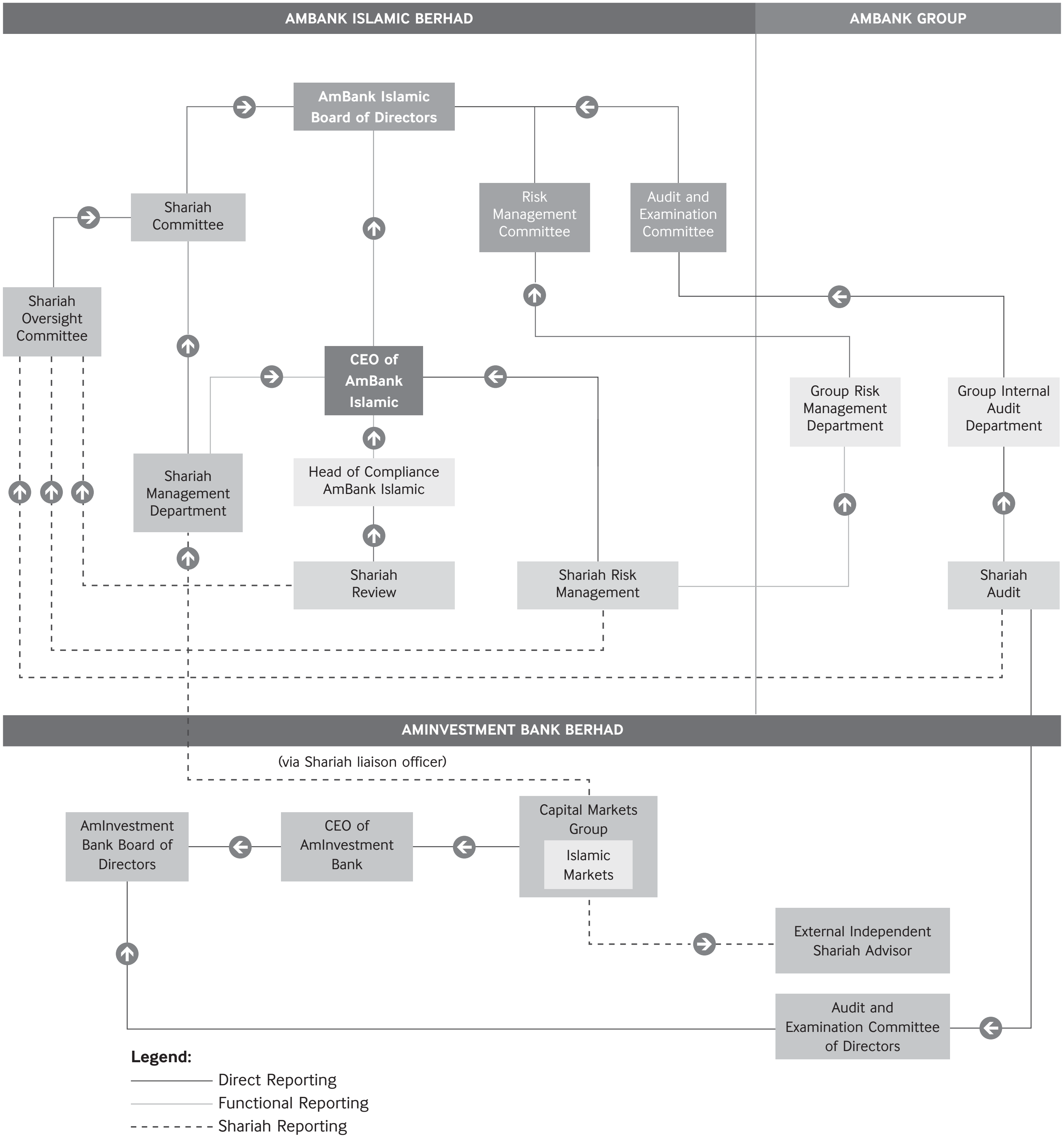
The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. The Group believes in and embraces a strong compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board of Directors ("BOD") and Senior Management lead by example. The Group has zero tolerance for any form of bribery or corruption.

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.

49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control

Shariah Governance Structure



49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

AmBank Islamic

AmBank Islamic has established its Shariah governance structure in accordance with the requirements of the Islamic Financial Services Act 2013 ("IFSA") and BNM's Policy Document on Shariah Governance. This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Management, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the performance assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee, Risk Management Committee ("RMC") and the Shariah Committee.

Audit and Examination Committee ("AEC")

AEC is a Board committee responsible for assisting the Board in ensuring AmBank Islamic's operations are Shariah compliant through the independent assurance from the Shariah Audit function performed by Group Internal Audit Department. The reports from the Shariah Review are also presented to the AEC for information.

Risk Management Committee ("RMC")

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 Senior Management on Shariah matters as well as endorsing and validating products and services, Shariah policies and the relevant documentation in relation to AmBank Islamic's business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function via the Shariah Control Functions (i.e. Shariah Review, Shariah Risk Management and Shariah Audit). The Shariah Oversight Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Senior Management

The Chief Executive Officer ("CEO") and senior officers of AmBank Islamic and the Group are responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Senior Management 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.

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49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

Shariah Management

Shariah Management Department is accountable to the Shariah Committee and is responsible for providing operational support for effective functioning of the Shariah Committee including day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

Shariah Risk Management

Shariah Risk Management ("SRM") section is accountable to the Group Risk Management Department and CEO with Shariah reporting to the Shariah Oversight Committee. SRM is a function that systematically identifies, measures, monitors and reports Shariah non-compliance risks in the business, operations, affairs and activities of AmBank Islamic.

The management of Shariah risk is executed through the three lines of defence in managing Shariah risk. The three lines of defence are:

- First – The Business Units and Functional Lines
- Second – Shariah Risk Management and Shariah Review
- Third – Shariah Audit

Shariah Review

Shariah Review Section is accountable to AmBank Islamic's Head of Compliance with Shariah reporting to the Shariah Oversight Committee. Shariah review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of AmBank Islamic with Shariah requirements.

Shariah Audit

Shariah Audit Section is accountable to the AEC with Shariah reporting to Shariah Oversight Committee. A designated team within the Group Internal Audit Department, which is responsible to conduct independent assessment on the quality and effectiveness of AmBank Islamic's internal control, risk management systems, governance processes as well as the overall compliance of AmBank Islamic's operations, business, affairs and activities with Shariah. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

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.

AmInvestment Bank

AmInvestment Bank's Capital Markets Group covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. For such Islamic transactions, AmInvestment Bank complies with guidelines issued by Securities Commission Malaysia ("SC").

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance. The Board performs its oversight through various committees such as the Audit and Examination Committee of Directors ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

AEC is a Board committee and is responsible for assisting the Board in ensuring AmInvestment Bank's Islamic capital markets operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department.

RMC is a Board committee and is responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

AmInvestment Bank (cont'd.)

Under Shariah risk management, endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are:

- First – Capital markets Group (via Islamic Markets unit)
- Second – Shariah Risk Management, AmInvestment Bank's Compliance and the appointed Shariah adviser
- Third – GIAD

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market product and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision/pronouncement/resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM shall be in line with the Shariah Resolutions (fatwa) issued by the SAC of BNM and SC, at all times.

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 Management Department, 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

AmBank Islamic

For the financial year ended 31 March 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the AmBank Islamic's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by the AmBank Islamic.

AmBank Islamic has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

50. 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.

(a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values)

	Group	
	Carrying Amount RM'000	Fair Value RM'000
2021		
Financial Assets		
Financial investments at amortised cost	4,192,424	4,318,890
Loans, advances and financing[1]	14,389,622	12,627,575
	18,582,046	16,946,465
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	7,275,018	7,424,193
Term funding	1,749,870	1,768,574
Debt capital	4,295,000	4,369,932
	13,319,888	13,562,699

	Group	
	Carrying Amount RM'000	Fair Value RM'000
2020		
Financial Assets		
Financial investments at amortised cost	4,852,813	5,056,831
Loans, advances and financing[1]	13,420,154	12,570,596
	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

[1] excluding loans, advances and financing of RM98,088.7 million (2020: RM92,530.8 million) where the carrying amounts are reasonable approximation of their fair values.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets measured at fair value				
Derivative financial assets	237	1,290,953	–	1,291,190
Financial assets at fair value through profit or loss				
– Money market securities	–	4,116,349	–	4,116,349
– Shares	1,083,286	–	34	1,083,320
– Unit trusts	195,792	1,104	–	196,896
– Quoted corporate bonds and sukuk	–	37,538	–	37,538
– Unquoted corporate bonds and sukuk	–	4,127,871	–	4,127,871
Financial investments at fair value through other comprehensive income				
– Money market securities	–	7,661,349	–	7,661,349
– Shares	–	–	686,792	686,792
– Unquoted corporate bonds and sukuk	–	9,438,057	–	9,438,057
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	4,318,800	90	4,318,890
Loans, advances and financing	–	12,627,575	–	12,627,575
	1,279,315	43,619,596	686,916	45,585,827
Financial liabilities measured at fair value				
Derivative financial liabilities	21,242	1,248,567	–	1,269,809
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	7,424,193	–	7,424,193
Term funding	–	1,768,574	–	1,768,574
Debt capital	–	4,369,932	–	4,369,932
	21,242	14,811,266	–	14,832,508

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed (cont'd.)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
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

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,104	–	1,104

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,078	–	1,078

50. 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 investments at FVOCI are revalued using adjusted net assets method.

About 2.4% (2020: 1.7%) 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.

50. 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
2021			
Balance at beginning of the financial year	593,550	2,766	596,316
Total gains recognised in other comprehensive income	93,242	–	93,242
Gain on revaluation taken up in statements of profit or loss	–	136	136
Disposals	–	(2,868)	(2,868)
Balance at end of the financial year	686,792	34	686,826

Group	Financial investments at FVOCI RM'000	Financial assets at FVTPL RM'000	Total RM'000
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

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	2021 RM'000	2020 RM'000
Financial investments at FVOCI:		
Total gains included in:		
– fair value reserve in statements of comprehensive income	93,242	69,337
Financial assets at FVTPL:		
Total gain/(loss) included in:		
– investment and trading income in statements of profit or loss	136	(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.

51. 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 a 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 comprises 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.

Measurement 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 interest income. The Chief Operating Decision Maker relies primarily on the net interest 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. During the financial year, the Group's wholly-owned subsidiary, AmFraser International Pte Ltd which was incorporated in Singapore was dissolved on 7 December 2020.

(iii) The comparatives have been restated with current business realignment.

51. BUSINESS SEGMENT ANALYSIS (CONT'D.)

			Wholesale banking						
Group	Retail banking RM'000	Business banking RM'000	Corporate banking RM'000	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
For the financial year ended 31 March 2021									
External revenue	3,000,386	652,388	1,459,254	1,487,247	225,754	137,134	1,602,612	(152,131)	8,412,644
Revenue from other segments	(428,721)	(129,597)	(513,066)	493,022	(9,311)	–	–	587,673	–
Total operating revenue	2,571,665	522,791	946,188	1,980,269	216,443	137,134	1,602,612	435,542	8,412,644
Net interest and funding income	1,327,766	296,821	609,997	485,693	45,796	1,065	112,587	55,657	2,935,382
Other income	271,349	93,089	119,920	293,593	163,426	135,849	503,102	(7,068)	1,573,260
Share in results of associates and joint ventures	(1,320)	–	–	–	–	–	43,900	1,233	43,813
Net income	1,597,795	389,910	729,917	779,286	209,222	136,914	659,589	49,822	4,552,455
Other operating expenses	(865,040)	(138,694)	(197,626)	(84,063)	(116,444)	(64,639)	(356,642)	(309,087)	(2,132,235)
of which:									
Depreciation of property and equipment	(21,007)	(1,829)	(1,978)	(144)	(979)	(222)	(5,972)	(37,761)	(69,892)
Depreciation of right-of-use assets	–	–	–	–	(200)	–	(12,161)	(69,981)	(82,342)
Amortisation of intangible assets	(31,145)	(839)	(8,399)	(1,465)	(652)	(188)	(19,102)	(48,905)	(110,695)
Profit/(Loss) before impairment losses and settlement	732,755	251,216	532,291	695,223	92,778	72,275	302,947	(259,265)	2,420,220
(Allowances for)/Writeback of impairment on loans, advances and financing	(538,815)	(29,355)	(230,633)	–	6,891	–	–	(325,024)	(1,116,936)
Writeback of/(Allowances for) impairment on other assets	376	–	432	(858)	295	(143)	6,208	8,706	15,016
Provision for commitments and contingencies – writeback/(charge)	4,718	(33,358)	(33,735)	–	–	–	–	23,079	(39,296)
Other recoveries/(write-offs), net	–	–	7,994	–	11	–	(3,660)	124	4,469
Impairment of goodwill	–	–	–	–	–	–	–	(1,789,153)	(1,789,153)
Impairment of investment in associate	–	–	–	–	–	–	–	(147,819)	(147,819)
Settlement	–	–	–	–	–	–	–	(2,830,000)	(2,830,000)
Profit/(Loss) before taxation and zakat	199,034	188,503	276,349	694,365	99,975	72,132	305,495	(5,319,352)	(3,483,499)
Taxation and zakat	(47,985)	(44,430)	(69,409)	(154,086)	(22,184)	(14,403)	(29,094)	152,996	(228,595)
Profit/(Loss) for the financial year	151,049	144,073	206,940	540,279	77,791	57,729	276,401	(5,166,356)	(3,712,094)
Other information									
Total segment assets	64,613,184	12,467,105	35,427,121	48,753,593	2,666,475	130,482	5,775,378	344,916	170,178,254
Total segment liabilities	48,123,330	8,379,102	16,923,128	61,535,312	1,099,456	24,350	3,363,322	15,139,895	154,587,895
Cost to income ratio	54.1%	35.6%	27.1%	10.8%	55.7%	47.2%	54.1%	>100.0%	46.8%
Gross loans, advances and financing	64,787,014	12,586,489	35,613,506	–	1,869,847	–	525	(98,873)	114,758,508
Net loans, advances and financing	63,602,326	12,452,854	35,120,450	–	1,869,469	–	456	(567,236)	112,478,319
Impaired loans, advances and financing	881,852	250,584	637,506	–	378	–	–	–	1,770,320
Total deposits	47,537,095	8,229,513	16,661,536	58,440,270	615,236	–	–	(1,019,577)	130,464,073
Additions to:									
Property and equipment	16,338	113	210	1,279	1,069	78	3,736	16,884	39,707
Intangible assets	22,155	41	6,010	9,049	2,932	252	10,705	41,272	92,416

51. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group	Retail banking RM'000	Business banking RM'000	Wholesale banking		Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
			Corporate banking RM'000	Group Treasury & Markets RM'000					
For the financial year ended 31 March 2020 (Restated)									
External revenue	3,275,523	705,023	1,817,814	1,635,321	229,409	112,998	1,608,540	(60,061)	9,324,567
Revenue from other segments	(358,915)	(176,121)	(847,330)	668,353	(21,288)	–	–	735,301	–
Total operating revenue	2,916,608	528,902	970,484	2,303,674	208,121	112,998	1,608,540	675,240	9,324,567
Net interest and funding income	1,222,905	277,459	619,326	230,313	39,133	1,065	130,757	252,966	2,773,924
Other income	242,395	88,849	160,302	227,114	153,593	111,715	463,322	9,082	1,456,372
Share in results of associates and joint ventures	963	–	–	–	–	–	(9,877)	5,774	(3,140)
Net income	1,466,263	366,308	779,628	457,427	192,726	112,780	584,202	267,822	4,227,156
Other operating expenses	(865,087)	(145,461)	(225,971)	(76,902)	(119,539)	(67,099)	(338,069)	(270,063)	(2,108,191)
of which:									
Depreciation of property and equipment	(19,922)	(734)	(1,383)	(106)	(832)	(271)	(9,449)	(30,169)	(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)	(756)	(173)	(18,884)	(60,611)	(108,908)
Profit/(Loss) before impairment losses	601,176	220,847	553,657	380,525	73,187	45,681	246,133	(2,241)	2,118,965
(Allowances for)/Writeback of impairment on loans, advances and financing	(194,079)	(64,089)	68,996	–	6,427	–	–	(139,886)	(322,631)
(Allowances for)/Writeback of impairment on other assets	(20)	–	2,166	(35,696)	(591)	(125)	8,602	(10,954)	(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	414,120	163,822	649,557	344,829	79,057	45,551	250,039	(164,119)	1,782,856
Taxation and zakat	(99,120)	(38,207)	(155,767)	(66,617)	(17,441)	(8,737)	(31,810)	87,676	(330,023)
Profit/(Loss) for the financial year	315,000	125,615	493,790	278,212	61,616	36,814	218,229	(76,443)	1,452,833
Other information									
Total segment assets	59,094,425	11,133,363	35,455,875	52,821,965	2,222,996	107,207	5,775,754	2,591,501	169,203,086
Total segment liabilities	46,377,498	7,323,178	13,552,801	67,571,278	1,370,435	23,804	3,345,980	10,078,072	149,643,046
Cost to income ratio	59.0%	39.7%	29.0%	16.8%	62.0%	59.5%	57.9%	>100.0%	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. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

	General insurance fund		Shareholders' funds and Others		Total*	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS						
Cash and short-term funds	137,680	176,935	128,127	107,419	265,807	284,354
Deposits and placements with banks and other financial institutions	20,180	19,766	–	–	20,180	19,766
Financial assets at fair value through profit or loss	2,397,597	2,311,801	4,511,146	4,522,749	3,498,507	3,468,693
Loans and advances	456	702	–	–	456	702
Deferred tax assets	23,005	18,211	–	–	23,005	18,211
Investment in a subsidiary	–	–	1,708,733	1,808,733	–	–
Other assets	1,193,820	1,013,413	59,000	64,616	112,954	135,757
Reinsurance assets and other insurance receivables	432,684	457,906	–	–	432,684	457,906
Property and equipment	13,764	16,019	(59)	(59)	13,705	15,960
Right-of-use assets	45,682	46,468	–	–	45,682	46,468
Intangible assets	45,502	49,873	58,803	62,829	883,231	891,628
Assets held for sale	1,562	1,562	762	762	2,324	2,324
TOTAL ASSETS	4,311,932	4,112,656	6,466,512	6,567,049	5,298,535	5,341,769
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	–	–	487,170	472,064	487,170	472,064
Deferred tax liabilities	–	–	59,631	64,275	59,631	64,275
Other liabilities	329,495	322,424	1,147,445	949,885	337,514	330,477
Insurance contract liabilities and other insurance payables	2,479,007	2,479,164	–	–	2,479,007	2,479,164
Total Liabilities	2,808,502	2,801,588	1,694,246	1,486,224	3,363,322	3,345,980
Share capital**	–	–	5,642,440	5,680,036	1,599,148	1,599,148
Reserves	1,503,430	1,311,068	(870,174)	(599,211)	336,065	396,641
Equity attributable to equity holders of the Company	1,503,430	1,311,068	4,772,266	5,080,825	1,935,213	1,995,789
TOTAL LIABILITIES AND EQUITY	4,311,932	4,112,656	6,466,512	6,567,049	5,298,535	5,341,769

* After elimination on consolidation

** Comprising:

	Note	2021 RM'000	2020 RM'000
Ordinary share capital		1,030,000	1,130,000
Preference share capital		169,148	169,148
Transfer from retained earnings arising from redemption of preference shares	16(a)(3)(ii)	400,000	300,000
		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.

52. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Group	General insurance fund		Shareholders' funds and Others		Total*	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	2,244	3,765	131,449	147,447	133,693	151,212
Interest expense	–	–	(21,106)	(20,455)	(21,106)	(20,455)
Net interest income	2,244	3,765	110,343	126,992	112,587	130,757
Income from insurance business	1,398,558	1,428,732	–	–	1,398,558	1,428,732
Insurance claims and commissions**	(921,918)	(1,003,883)	–	–	(921,918)	(1,003,883)
Net income from insurance business business	476,640	424,849	–	–	476,640	424,849
Other operating income	90,443	128,062	278,357	285,293	26,462	38,473
Net income	569,327	556,676	388,700	412,285	615,689	594,079
Other operating expenses	(346,296)	(327,530)	(10,346)	(10,539)	(356,642)	(338,069)
Operating profit	223,031	229,146	378,354	401,746	259,047	256,010
Writeback of allowance for impairment:						
– Reinsurance assets and insurance receivables	6,208	8,602	–	–	6,208	8,602
Other write-offs, net	(3,660)	(4,696)	–	–	(3,660)	(4,696)
Profit before taxation	225,579	233,052	378,354	401,746	261,595	259,916
Taxation	(34,139)	(46,911)	5,045	15,101	(29,094)	(31,810)
Profit for the financial year	**191,440**	**186,141**	**383,399**	**416,847**	**232,501**	**228,106**

* After elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM17,673,000 (2020: RM15,859,000)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

52. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group 2021 RM'000	Group 2020 RM'000
Income from general insurance		1,398,558	1,428,732
	(a)	1,398,558	1,428,732
Insurance claims and commissions			
Insurance commissions		127,210	137,753
Insurance claims	(b)	777,035	850,271
		904,245	988,024
		494,313	440,708

(a) Income from general insurance business

	2021 RM'000	2020 RM'000
Gross Premium		
– insurance contract	1,559,472	1,575,869
– change in unearned premium provision	616	(8,460)
	1,560,088	1,567,409
Premium ceded		
– insurance contract	(164,772)	(140,045)
– change in unearned premium provision	3,242	1,368
	(161,530)	(138,677)
	1,398,558	1,428,732

(b) Insurance claims

	2021 RM'000	2020 RM'000
– gross benefits and claims paid	850,870	977,341
– claims ceded to reinsurers	(77,372)	(101,854)
– change in contract liabilities-insurance contract	(13,468)	(98,452)
– change in contract liabilities ceded to reinsurers-insurance contract	17,005	73,236
	777,035	850,271

52. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE RECEIVABLES

	Group	
	2021 RM'000	**2020 RM'000**
Amount owing by reinsurance and cedants	5,887	6,025
Due premiums including agents/brokers and co-insurers balances	65,737	83,266
Accumulated impairment losses	(18,732)	(24,755)
	52,892	64,536
The movement in accumulated impairment losses is as follows:		
Balance at beginning of the financial year	24,755	32,978
Writeback for the financial year	(6,023)	(8,223)
Balance at end of the financial year	18,732	24,755

(V) INSURANCE PAYABLES

	Group	
	2021 RM'000	**2020 RM'000**
Amount due to agents and intermediaries	21,812	17,068
Amount due to reinsurers and cedants	34,220	25,037
	56,032	42,105

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2021				
Provision for claims reported by policyholders		938,423	(218,755)	719,668
Provision for incurred but not reported claims ("IBNR")		641,810	(78,115)	563,695
Provision for risk margin for adverse deviation ("PRAD")		133,638	(27,065)	106,573
Provision for outstanding claims	(I)	1,713,871	(323,935)	1,389,936
Less: Accumulated impairment loss on reinsurance assets	(III)	–	2,075	2,075
		1,713,871	(321,860)	1,392,011
Provision for unearned premiums	(II)	709,104	(57,932)	651,172
		2,422,975	(379,792)	2,043,183
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,727,339	(340,940)	1,386,399
Claims incurred in the current accident year		1,092,370	(128,685)	963,685
Movements in claims incurred in prior accident years		(252,603)	68,318	(184,285)
Claims incurred during the year (treaty inwards claims)		(2,365)	–	(2,365)
Claims paid during the financial year		(850,870)	77,372	(773,498)
Balance at end of the financial year		1,713,871	(323,935)	1,389,936
(II) Provision for unearned premiums				
Balance at beginning of the financial year		709,720	(54,690)	655,030
Premiums written in the financial year		1,559,472	(164,772)	1,394,700
Premiums earned during the financial year		(1,560,088)	161,530	(1,398,558)
Balance at end of the financial year		709,104	(57,932)	651,172
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				2,260
Writeback for the financial year				(185)
Balance at the end of the financial year				2,075

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (cont'd.)

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2020				
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 deviation ("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 the end of the financial year				2,260

52. 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 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Subtotal RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,242,423	1,194,735	1,070,130	1,227,522	1,161,460	1,150,177	1,243,368	1,092,370			
One year later	1,080,837	1,044,183	1,029,824	1,149,852	1,084,565	1,096,000	1,186,034				
Two years later	1,087,252	998,909	1,007,382	1,098,273	1,021,983	1,044,485					
Three years later	1,049,005	933,819	916,884	1,032,313	970,496						
Four years later	1,009,429	901,250	875,653	964,732							
Five years later	962,660	883,480	873,158								
Six years later	950,541	869,500									
Seven years later	971,027										
Current estimate of accumulative claims incurred	971,027	869,500	873,158	964,732	970,496	1,044,485	1,186,034	1,092,370			
At the end of accident year	(382,587)	(350,724)	(362,327)	(418,997)	(413,496)	(406,582)	(454,994)	(372,078)			
One year later	(695,027)	(637,079)	(631,989)	(728,719)	(697,414)	(689,369)	(714,911)				
Two years later	(815,309)	(755,020)	(743,674)	(841,971)	(812,808)	(796,663)					
Three years later	(874,842)	(813,229)	(809,249)	(891,723)	(867,295)						
Four years later	(901,975)	(834,470)	(825,027)	(916,406)							
Five years later	(924,531)	(843,007)	(835,583)								
Six years later	(929,868)	(849,203)									
Seven years later	(933,371)										
Cumulative payments to-date	(933,371)	(849,203)	(835,583)	(916,406)	(867,295)	(796,663)	(714,911)	(372,078)			
Gross general insurance claims liabilities (direct and facultative)	37,656	20,297	37,575	48,326	103,201	247,822	471,123	720,292	1,686,292	27,579	1,713,871

* Malaysian Motor Insurance Pool

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (cont'd.)

Net general insurance claims liabilities for 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Subtotal RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	1,028,962	1,089,589	997,614	1,093,341	1,007,302	1,003,559	1,062,879	963,685			
One year later	959,376	951,089	959,397	1,058,098	977,750	973,556	1,032,528				
Two years later	982,953	907,365	924,948	1,008,222	931,761	935,655					
Three years later	935,316	844,427	850,963	947,314	875,023						
Four years later	884,072	809,285	809,036	886,015							
Five years later	871,175	797,601	805,537								
Six years later	862,818	791,601									
Seven years later	871,808										
Current estimate of accumulative claims incurred	871,808	791,601	805,537	886,015	875,023	935,655	1,032,528	963,685			
At the end of accident year	(362,384)	(333,247)	(344,190)	(392,175)	(385,934)	(388,951)	(443,656)	(350,808)			
One year later	(654,303)	(593,744)	(592,213)	(672,310)	(644,402)	(637,657)	(665,818)				
Two years later	(760,861)	(694,478)	(695,841)	(776,164)	(747,217)	(729,367)					
Three years later	(809,793)	(746,892)	(751,734)	(823,772)	(797,115)						
Four years later	(833,686)	(765,158)	(769,552)	(845,560)							
Five years later	(844,590)	(773,177)	(779,160)								
Six years later	(849,068)	(778,865)									
Seven years later	(852,802)										
Cumulative payments to-date	(852,802)	(778,865)	(779,160)	(845,560)	(797,115)	(729,367)	(665,818)	(350,808)			
Net general insurance claims liabilities (direct and facultative)	19,006	12,736	26,377	40,455	77,908	206,288	366,710	612,877	1,362,357	27,579	1,389,936

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

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	Subtotal 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 accumulative claims 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

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (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	Subtotal 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)			
Gross 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

52. INSURANCE BUSINESS (CONT'D.)

(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.

53. 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 (e.g. loans, advances and financing) are as follows:-

	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		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	
2021						
Derivative financial assets	1,291,190	–	1,291,190	(773,726)	(145,035)	372,429
Other assets	2,466,312	(24,876)	2,441,436	(170,489)	(16,435)	2,254,512
	3,757,502	(24,876)	3,732,626	(944,215)	(161,470)	2,626,941
Derivative financial liabilities	1,269,809	–	1,269,809	(773,726)	(552,339)	(56,256)
Other liabilities	5,916,607	(24,876)	5,891,731	–	–	5,891,731
	7,186,416	(24,876)	7,161,540	(773,726)	(552,339)	5,835,475
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

54. ASSETS HELD FOR SALE

	Group	
	2021 RM'000	2020 RM'000
Asset held for sale		
Proposed disposal of property	2,324	2,324
	2,324	2,324

		Group	
	Note	2021 RM'000	2020 RM'000
Balance at beginning of the financial year		2,324	5,029
Transferred from property and equipment during the financial year	19	–	3,782
Disposal completed during the financial year		–	(6,487)
Balance at end of the financial year		2,324	2,324

The disposal in previous financial year had resulted in gain of approximately RM1.5 million as disclosed in Note 34.

55. RESTATEMENT OF COMPARATIVE INFORMATION

The Group continuously strengthen its regulatory reporting framework. The Group has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Group had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Group makes disclosures pertaining to loans, advances and financing. The comparatives on breakdown of loans, advances and financing in Notes 13(a), (c), (d), (e) and (h) are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported cashflows from operations, financial position and performance of the Group.

56. OPERATIONS OF ISLAMIC BANKING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

		Group	
	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	II	9,398,989	5,923,823
Derivative financial assets		49,667	59,653
Financial assets at fair value through profit or loss	III	2,271,667	1,750,250
Financial investments at fair value through other comprehensive income	IV	4,095,135	4,896,694
Financial investments at amortised cost	V	1,392,155	1,689,082
Financing and advances	VI	35,389,517	31,907,446
Statutory deposit with Bank Negara Malaysia		113,000	147,000
Deferred tax assets	VII	63,074	299
Other assets	VIII	342,261	287,745
Property and equipment	IX	440	481
Right-of-use assets	X	2,351	2,759
Intangible assets	XI	718	1,034
TOTAL ASSETS		53,118,974	46,666,266
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	XII	41,732,511	34,672,130
Investment accounts of customers	XIII	94,834	208,726
Deposits and placements of banks and other financial institutions	XIV	3,177,611	3,449,770
Investment account due to a licensed bank	XV	718,034	718,005
Recourse obligation on financing sold to Cagamas Berhad		800,000	1,000,000
Derivative financial liabilities		67,751	83,865
Term funding	25(a)(ii) & (c)(ii)	1,034,766	1,034,697
Subordinated Sukuk	26(a)(i)	1,300,000	1,150,000
Deferred tax liabilities	VII	1,578	9,639
Other liabilities	XVI	296,010	559,440
TOTAL LIABILITIES		49,223,095	42,886,272
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,478,772	2,362,887
TOTAL ISLAMIC BANKING FUNDS		3,895,879	3,779,994
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		53,118,974	46,666,266
COMMITMENTS AND CONTINGENCIES	XXX	14,742,101	13,487,792

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

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2021

	Note	Group	
		2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	XVII	1,620,180	1,786,624
Income derived from investment of investment account funds	XVIII	32,073	79,243
Income derived from Islamic Banking Funds	XIX	176,963	217,087
Allowances for impairment on financing and advances – net	XX	(515,864)	(156,292)
Writeback of/(Allowances for) impairment on:			
– Financial investments	XXI	10,598	1,410
– Other financial assets	XXII	(49)	(19)
Provision for commitments and contingencies – writeback/(charge)	XXIII	2,433	(32)
Total distributable income		1,326,334	1,928,021
Income attributable to the depositors and others	XXIV	(777,274)	(1,006,466)
Income attributable to investment account holders	XXV	(26,612)	(68,442)
Total net income		522,448	853,113
Operating expenses	XXVI	(296,934)	(308,795)
Finance costs		(98,692)	(99,280)
Profit before taxation and zakat		126,822	445,038
Taxation and zakat	XXVII	1,340	(93,341)
Profit for the financial year		128,162	351,697

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Group	
	2021 RM'000	2020 RM'000
Profit for the financial year	128,162	351,697
Other comprehensive income:		
Items that may be reclassified subsequently to statement of profit or loss		
Financial investments at FVOCI:		
– net unrealised (loss)/gain for changes in fair value	(103)	34,949
– changes in expected credit losses	(10,838)	(1,386)
– net gain reclassified to profit or loss	(2,015)	(10,627)
– tax effect	679	(5,838)
Other comprehensive (loss)/income for the financial year, net of tax	(12,277)	17,098
Total comprehensive income for the financial year	115,885	368,795

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

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

		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 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
At 1 April 2020	1,417,107	71,612	56,249	2,235,026	3,779,994
Profit for the financial year	–	–	–	128,162	128,162
Other comprehensive (loss)/income, net	–	–	(12,277)	–	(12,277)
Total comprehensive (loss)/income for the financial year	–	–	(12,277)	128,162	115,885
Transfer to retained earnings*	–	(71,612)	–	71,612	–
	–	(71,612)	–	71,612	–
At 31 March 2021	1,417,107	–	43,972	2,434,800	3,895,879

* Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to the COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

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

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Group	
	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	126,822	445,038
Adjustments for:		
Accretion of discount less amortisation of premium for securities	(58,672)	(48,165)
Allowances for impairment on financing and advances (Note 56 (XX))	615,506	236,362
Depreciation of right-of-use assets	299	143
Depreciation of property and equipment	128	132
Amortisation of intangible assets	379	369
Finance cost – lease liabilities	74	26
Finance cost – provision for reinstatement of leased properties	2	1
Gain on disposal of financial assets at fair value through profit or loss	(17,505)	(15,496)
Loss/(Gain) on revaluation of financial assets at fair value through profit or loss	770	(348)
(Gain)/Loss on revaluation of derivatives	(6,127)	11,829
Unrealised loss/(gain) on revaluation of hedged item arising from fair value hedge	6,177	(14,479)
Shares granted under Executives' Share Scheme	1,726	956
(Writeback of)/Allowances for ECL on:		
– financial investments (Note 56 (XXI))	(10,598)	(1,410)
– cash and short term funds (Note 56 (XXII))	49	19
– commitments and contingencies (Note 56 (XXIII))	(2,433)	32
Gain on disposal of financial investments at fair value through other comprehensive income	(2,015)	(10,627)
Net adjustments of COVID-19 relief measures	(12,130)	–
Operating profit before working capital changes	642,452	604,382
(Increase)/Decrease in operating assets		
Financial assets at fair value through profit or loss	(470,415)	3,412,141
Financing and advances	(4,199,819)	(3,221,716)
Statutory deposit with Bank Negara Malaysia	34,000	823,000
Other assets	26,086	171,332
Increase/(Decrease) in operating liabilities		
Deposits from customers	7,060,381	3,532,194
Investment accounts of customers	(113,892)	(144,725)
Deposits and placements of banks and other financial institutions	(254,267)	913,046
Investment account due to a licensed bank	29	(747,534)
Recourse obligation on financing sold to Cagamas Berhad	(200,000)	481,650
Term funding	69	(45,303)
Other liabilities	(261,209)	219,859
Cash generated from operating activities	2,263,415	5,998,326
Zakat paid	(2,705)	(2,445)
Tax paid	(51,388)	(104,787)
Net cash generated from operating activities	2,209,322	5,891,094

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D.)

	Group	
	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(Purchase) of financial investments at fair value through other comprehensive income	817,549	(1,348,140)
Redemption of financial investments at amortised cost	298,822	25,000
Purchase of property and equipment	(87)	(33)
Purchase of intangible assets	(63)	(52)
Net cash generated from/(used in) investing activities	1,116,221	(1,323,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	–	(212,579)
Rental payment for lease liabilities	(328)	(146)
Issuance of Subordinated Sukuk	400,000	–
Repayment of Subordinated Sukuk	(250,000)	–
Net cash generated from/(used in) financing activities	149,672	(212,725)
Net increase in cash and cash equivalents	3,475,215	4,355,144
Cash and cash equivalents at beginning of the financial year	5,923,849	1,568,705
Cash and cash equivalents at end of the financial year	9,399,064	5,923,849
Cash and cash equivalents comprise:		
Cash and short-term funds	9,398,989	5,923,823
Add:		
Allowances for ECL	75	26
	9,399,064	5,923,849

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

56. 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 for matters related to Shariah. This includes:

i. advising Board of Directors and Management of 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 of 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. The 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 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee.

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the Bank's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by the Bank.

The Bank has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future.

For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

(II) CASH AND SHORT-TERM FUNDS

	Group	
	2021 RM'000	2020 RM'000
Cash and bank balances	134,064	457,629
Less: Allowances for ECL	(75)	(26)
	133,989	457,603
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	9,005,000	5,116,220
Licensed banks	80,000	–
Other financial institutions	180,000	350,000
	9,398,989	5,923,823

56. 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:

	Stage 1 12-month ECL RM'000
2020	
Balance at beginning of the financial year	6
Allowances for ECL during the financial year	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

	Stage 1 12-month ECL RM'000
2021	
Balance at beginning of the financial year	26
Allowances for ECL during the financial year	49
Changes in model assumptions and methodologies	(8)
New financial assets originated	61
Net remeasurement of allowances	(4)
Balance at end of the financial year	75

The increase in allowances for ECL in Stage 1 by RM49,000 mainly due to increase in new financial assets originated of RM61,000 offset by reversal of FL ECL overlay of RM8,000 and net remeasurement of allowances of RM4,000.

(III) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2021 RM'000	2020 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	1,527,211	468,011
Malaysian Government Investment Issues	171,557	870,243
Bank Negara Monetary Notes	–	299,187
	1,698,768	1,637,441
Unquoted Securities in Malaysia:		
Sukuk	572,899	112,809
	2,271,667	1,750,250

56. 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	
	2021 RM'000	2020 RM'000
At fair value:		
Money market instruments:		
Malaysian Government Investment Issues	1,325,806	1,301,151
Islamic negotiable instruments of deposit	399,386	299,544
	1,725,192	1,600,695
Unquoted securities:		
In Malaysia:		
Sukuk	2,369,943	3,295,999
	4,095,135	4,896,694

Movements in allowances for ECL are as follows:

	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020				
Balance at beginning of the financial year		2,383	18,636	21,019
Net 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

56. 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.)

Movements in allowances for ECL are as follows: (cont'd.)

	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year		3,958	15,675	19,633
Net writeback of ECL	(XXI)	(1,990)	(8,848)	(10,838)
New financial asset originated		645	–	645
Financial asset derecognised		(1,519)	(4,049)	(5,568)
Changes in model assumptions and methodologies		(1,149)	(2,199)	(3,348)
Net remeasurement of allowances		33	(2,600)	(2,567)
Balance at end of the financial year		1,968	6,827	8,795

The movements in allowances for ECL are mainly contributed by:

(a) Decrease in Stage 1 ECL due to derecognition of financial assets and reversal of FL ECL overlay provided in the previous financial year, offset by new financial assets originated and net remeasurement of allowances.

(b) Decrease in Stage 2 ECL mainly due to financial assets derecognised, reversal of FL ECL overlay provided in the previous financial year and net remeasurement of allowances.

(V) FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	2021 RM'000	2020 RM'000
At amortised cost:		
Money Market Instruments:		
Malaysian Government Investment Issues	260,852	260,733
Unquoted Securities:		
In Malaysia:		
Sukuk	1,131,826	1,428,632
Less: Allowances for ECL	(523)	(283)
	1,392,155	1,689,082

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(V) FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

Movements in allowances for ECL are as follow:

Group	Stage 1 12-month ECL RM'000
2020	
Balance at beginning of the financial year	307
Net (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

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Balance at beginning of the financial year	283	–	283
Net (writeback of)/allowances for ECL	(185)	425	240
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(83)	425	342
Changes in model assumptions and methodologies	(71)	–	(71)
Net remeasurement of allowances	(31)	–	(31)
Balance at end of the financial year	98	425	523

The increase in allowances for ECL is mainly contributed by deterioration in credit quality of a counterparty which had resulted in the transfer to ECL Stage 2 offset by the reversal of FL ECL overlay provided in the previous financial year and net remeasurement of allowances.

56. 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	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
2021							
At amortised cost:							
Cash lines	–	586,926	–	–	612,527	–	1,199,453
Term financing	503,991	11,078,280	8,925	–	1,467,826	40,320	13,099,342
Revolving credit	42,065	3,217,574	–	–	1,123,575	–	4,383,214
Housing financing	2,736,494	6,544,595	45,197	–	–	–	9,326,286
Hire purchase receivables	4	–	–	4,003,861	–	–	4,003,865
Bills receivables	–	310,200	–	–	–	23,618	333,818
Credit card receivables	–	–	–	–	–	453,056	453,056
Trust receipts	–	283,607	–	–	–	–	283,607
Claims on customers under acceptance credits	–	1,848,952	–	–	–	259,041	2,107,993
Staff financing	–	12,454	–	–	–	–	12,454
Others	–	984,774	–	–	–	37,330	1,022,104
Gross financing and advances*	3,282,554	24,867,362	54,122	4,003,861	3,203,928	813,365	36,225,192
Allowance for impairment on financing and advances							
– Stage 1 – 12-month ECL							(144,366)
– Stage 2 – Lifetime ECL not credit impaired							(589,675)
– Stage 3 – Lifetime ECL credit impaired							(101,634)
Net financing and advances							35,389,517

56. 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	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
2020							
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-month 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

* 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 allowances for impairment arising from the RA financing.

56. 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	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Maturing within one year	9,714,383	10,177,040
Over one year to three years	2,239,547	2,215,750
Over three years to five years	2,624,024	3,566,338
Over five years	21,647,238	16,314,796
	36,225,192	32,273,924

(c) Gross financing and advances analysed by type of customers are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Domestic non-bank financial institutions	1,138,836	1,352,561
Domestic business enterprises		
– Small medium enterprises	6,645,241	6,620,988
– Others	9,281,608	8,459,783
Government and statutory bodies	304,227	506,602
Individuals	18,805,650	15,284,425
Other domestic entities	666	665
Foreign individuals and entities	48,964	48,900
	36,225,192	32,273,924

56. 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.)

(d) Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Fixed rate:		
Housing financing	149,361	130,452
Hire purchase receivables	3,942,830	3,677,033
Other financing	3,445,508	3,189,147
Variable rate:		
Base rate and lending/financing rate plus	18,398,613	15,143,124
Cost-plus	9,444,652	9,787,457
Other variable rates	844,228	346,711
	36,225,192	32,273,924

(e) Gross financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	1,234,973	1,383,594
Mining and quarrying	1,284,627	1,097,635
Manufacturing	4,461,415	3,886,609
Electricity, gas and water	272,784	222,289
Construction	1,203,347	1,296,182
Wholesale, retail trade, restaurants and hotels	2,614,281	1,823,695
Transport, storage and communication	1,915,289	1,713,395
Finance and insurance	1,175,374	1,511,840
Real estate	2,441,486	2,489,982
Business activities	518,055	1,217,301
Education and health	248,947	298,077
Household of which:	18,854,614	15,333,325
– Purchase of residential properties	9,378,972	7,518,591
– Purchase of transport vehicles	3,641,530	3,419,349
– Others	5,834,112	4,395,385
Gross financing and advances	36,225,192	32,273,924

56. 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.)

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

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	615,350	572,549
Additions during the financial year	385,160	455,618
Reclassified to non-impaired financing	(19,613)	(46,370)
Recoveries	(221,495)	(88,965)
Amount written off	(146,328)	(277,482)
Balance at end of the financial year	613,074	615,350
Gross impaired financing and advances as % of gross financing and advances	1.69%	1.91%
Financing loss coverage (including regulatory reserve)	138.9%	74.2%

(g) Impaired financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	44,912	47,758
Mining and quarrying	2,284	2,371
Manufacturing	30,899	29,403
Electricity, gas and water	100	–
Construction	4,295	3,259
Wholesale, retail trade, restaurants and hotels	71,058	55,245
Transport, storage and communication	40,280	49,179
Real estate	243,134	243,083
Business activities	5,167	11,198
Education and health	1,022	1,453
Household of which:	169,923	172,401
– Purchase of residential properties	118,788	89,370
– Purchase of transport vehicles	16,617	43,072
– Others	34,518	39,959
Impaired financing and advances	613,074	615,350

56. 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:

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
2020					
Balance at beginning of the financial year		80,362	204,632	122,627	407,621
Net 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

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
2021					
Balance at beginning of the financial year		101,638	167,791	97,049	366,478
Net allowances for ECL during the year:	(XX)	42,708	421,885	150,913	615,506
– Transfer to 12-month ECL (Stage1)		3,805	(19,740)	(329)	(16,264)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(10,809)	80,382	(4,956)	64,617
– Transfer to Lifetime ECL credit impaired (Stage 3)		(518)	(6,739)	31,853	24,596
New financial assets originated		25,433	76,124	1,849	103,406
Net remeasurement of allowances		42,220	148,916	149,374	340,510
Changes in model assumptions and methodologies		(5,364)	159,869	–	154,505
Modification of contractual cash flows of financial assets		36	1,424	(29)	1,431
Financial assets derecognised		(12,095)	(18,351)	(26,849)	(57,295)
Foreign exchange differences		20	(1)	–	19
Amount written off		–	–	(146,328)	(146,328)
Balance at end of the financial year*		144,366	589,675	101,634	835,675

* 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 in 31 March 2020. As at 31 March 2021, the gross exposure (including profit receivable) relating to RA financing amounted to RM719.5 million (2020: RM719.9 million). ECL allowance relating to the RA financing which amounted to RM1.9 million (2020: RM2.3 million) is taken up by AmBank.

56. 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.)

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 increased due to the following:

(a) 12-month ECL (Stage 1) – increase of RM42.7 million mainly due to the impacts from the net remeasurement of allowances and new financing and advances originated; partially offset by the impacts from financing and advances derecognised and the migration of financing and advances to Stage 2.

(b) Lifetime ECL not credit-impaired (Stage 2) – increase of RM421.9 million mainly due to the impacts from the change in model assumptions and methodologies, the change in credit risk and the migration of financial and advances to Stage 2; partially offset by the impacts from the migration of financing and advances to Stage 1 and financing and advances derecognised.

(c) Lifetime ECL credit-impaired (Stage 3) – increase of RM4.6 million mainly due to the impacts from the change in credit risk and the migration of financing and advances to Stage 3 due to deterioration in credit quality; partially offset by the impacts from financing and advances written-off and derecognised.

(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	
	2021 RM'000	2020 RM'000
Deferred tax assets	63,074	299
Deferred tax liabilities	(1,578)	(9,639)
	61,496	(9,340)
Deferred tax assets and liabilities prior to offsetting are summarised as follows:		
Deferred tax assets	92,282	18,995
Deferred tax liabilities	(30,786)	(28,335)
	61,496	(9,340)

56. 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:

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
2021				
Other temporary differences	15,396	71,754	–	87,150
Deferred income	3,599	1,533	–	5,132
Deferred tax assets	18,995	73,287	–	92,282
Excess of capital allowance over depreciation	(90)	(175)	–	(265)
Deferred charges	(14,310)	(2,955)	–	(17,265)
Other temporary differences	(2,371)	–	–	(2,371)
Fair value reserve	(11,564)	–	679	(10,885)
Deferred tax liabilities	(28,335)	(3,130)	679	(30,786)

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
2020				
Other temporary differences	11,063	4,333	–	15,396
Deferred income	3,496	103	–	3,599
Deferred tax assets	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)
Deferred tax liabilities	(21,830)	(667)	(5,838)	(28,335)

(VIII) OTHER ASSETS

	Group	
	2021 RM'000	2020 RM'000
Trade debtors	93	2,211
Other receivables, deposits and prepayments	210,367	59,732
Amount due from related companies	–	77,114
Profit receivable	47,869	62,910
Tax recoverable	10,689	24,848
Deferred charges	73,243	60,930
	342,261	287,745

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IX) PROPERTY AND EQUIPMENT

Group	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
2021						
Cost						
At beginning of the financial year	528	534	750	251	–	2,063
Additions	–	–	67	–	20	87
At end of the financial year	528	534	817	251	20	2,150
Accumulated Depreciation						
At beginning of the financial year	197	484	671	230	–	1,582
Depreciation for the financial year	54	21	40	13	–	128
At end of the financial year	251	505	711	243	–	1,710
Net Book Value						
As at 31 March 2021	277	29	106	8	20	440

Group	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
2020						
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

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) RIGHT-OF-USE ASSETS

	Group	
	2021 RM'000	2020 RM'000
Premises		
Balance at beginning of the financial year	2,902	271
Additions	–	2,631
Remeasurement	(109)	–
Balance at end of the financial year	2,793	2,902
Accumulated amortisation		
Balance at beginning of the financial year	143	–
Depreciation charged for the financial year	299	143
Balance at end of the financial year	442	143
Carrying amount		
Balance at end of the financial year	2,351	2,759

(XI) INTANGIBLE ASSETS

	Computer software RM'000	Work-in-Progress RM'000	Total RM'000
2021			
Cost			
At beginning of the financial year	2,774	19	2,793
Additions	63	–	63
Reclassification	19	(19)	–
At end of the financial year	2,856	–	2,856
Accumulated Depreciation			
At beginning of the financial year	1,759	–	1,759
Amortisation for the financial year	379	–	379
At end of the financial year	2,138	–	2,138
Net Book Value	718	–	718

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XI) INTANGIBLE ASSETS (CONT'D.)

	Computer software RM'000	Work-in-Progress RM'000	Total RM'000
2020			
Cost			
At beginning of the financial year	2,741	–	2,741
Additions	33	19	52
At end of the financial year	2,774	19	2,793
Accumulated Depreciation			
At beginning of the financial year	1,390	–	1,390
Amortisation for the financial year	369	–	369
At end of the financial year	1,759	–	1,759
Net Book Value	1,015	19	1,034

(XII) DEPOSITS FROM CUSTOMERS

(i) By type of deposit:

	Group	
	2021 RM'000	2020 RM'000
Savings deposits		
Commodity murabahah	3,169,111	2,365,009
Qard	83,621	61,836
Demand deposits		
Commodity murabahah	9,012,721	7,812,982
Qard	443,683	337,707
Term deposits		
Commodity murabahah	28,786,399	23,517,738
Qard	236,976	278,734
Negotiable instruments of deposits		
Bai' Bithaman Ajil	–	298,124
	41,732,511	34,672,130

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XII) DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) The deposits are sourced from the following types of customers:

	Group	
	2021 RM'000	2020 RM'000
Business enterprises	27,148,886	21,496,027
Government and statutory bodies	4,429,701	3,024,183
Individuals	9,164,941	9,110,214
Others	988,983	1,041,706
	41,732,511	34,672,130

(iii) The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	2021 RM'000	2020 RM'000
Due within six months	24,293,982	19,728,247
Over six months to one year	4,104,731	3,207,927
Over one year to three years	614,839	1,141,416
Over three years to five years	9,823	17,006
	29,023,375	24,094,596

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	2021 RM'000	2020 RM'000
Unrestricted investment accounts:		
Without maturity		
– Wakalah	18,342	16,087
With maturity		
– Mudarabah	76,492	192,639
	94,834	208,726

56. 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:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 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	541	11,341
AmBank Islamic's share of profit		
Profit distributed to mudarib	(532)	(2,583)
As at 31 March 2020	16,087	192,639
Funding inflows/(outflows)		
New placements during the financial year	–	616,993
Redemptions/Withdrawals during the financial year	2,246	(736,697)
Income from investment	331	6,135
AmBank Islamic's share of profit		
Profit distributed to mudarib	(322)	(2,578)
As at 31 March 2021	18,342	76,492
Investment asset:		
2021		
Interbank placement	18,342	–
Housing financing	–	76,492
Total investment	18,342	76,492
2020		
Interbank placement	16,087	–
Housing financing	–	192,639
Total investment	16,087	192,639

The investment accounts are sourced from the following types of customers:

	2021 RM'000	2020 RM'000
Business enterprises	68,200	170,926
Individuals	26,634	37,800
	94,834	208,726

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2021 and 31 March 2020.

56. 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.)

(b) Average Profit Rate of Return and Average Performance Incentive Fee for the investment account are as follows:

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
2021			
Unrestricted investment account:			
less than 3 months	52.46	1.79	1.89
over 3 months to 1 year	66.13	2.73	–

	Investment account holder		
	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	–

(c) The maturity structure of investment accounts are as follows:

	Group	
	2021 RM'000	2020 RM'000
Unrestricted investment account:		
– Without maturity	18,342	16,087
– With maturity		
Due within six months	76,492	192,639
	94,834	208,726

56. 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	
	2021 RM'000	2020 RM'000
Non-Mudarabah:		
Licensed investment banks	99,799	389,040
Other financial institutions	1,374,710	1,729,954
Licensed banks	826,543	799,296
Licensed Islamic banks	847,028	521,970
Bank Negara Malaysia	29,531	9,510
	3,177,611	3,449,770

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	Note	Group	
		2021 RM'000	2020 RM'000
Restricted investment account ("RA")			
– Mudarabah Muqayyadah	(a)	718,034	718,005

(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) As at 31 March 2021, the tenure of the RA contracts is for a period ranging between 1 year to 9 years (2020: 2 years to 10 years).

(c) Movements in the investment account are as follows:

	2021 RM'000	2020 RM'000
At beginning of the financial year	718,005	1,465,539
Funding inflows/outflows		
New placements during the financial year	–	210,015
Disbursements/(redemptions) during the financial year, net*	29	(957,543)
Income attributable to investment account holders	(23,046)	(59,675)
Income from investment	25,607	67,361
AmBank Islamic's share of profit		
Profit distributed to mudarib	(2,561)	(7,692)
At end of the financial year	718,034	718,005
Investment asset:		
Financing	718,034	718,005
Total investment	718,034	718,005

* Disbursement/(redemption) amounts are inclusive of additional placements for existing contract of RM0.8 million (31 March 2020: RM74.3 million).

56. 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.)

(d) Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	2021		2020	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
over 2 years to 5 years	90	2.94	89	4.04
more than 5 years	90	3.91	90	3.76

(XVI) OTHER LIABILITIES

	Note	Group	
		2021 RM'000	2020 RM'000
Other payables and accruals		234,456	497,333
Lease liabilities	(a)	2,341	2,704
Provision for reinstatement of leased properties	(b)	81	79
Deferred income		18,997	13,344
Provision for zakat and taxation		13,268	12,703
Provision for commitments and contingencies	(c)	300	5,500
Allowances for ECL on financing commitments and financial guarantees	(d)	15,831	18,269
Security deposit and advance payment for financing and advances		10,736	9,508
		296,010	559,440

(a) The movements in lease liabilities are as follows:

	Group	
	2021 RM'000	2020 RM'000
Premises		
At beginning of the financial year	2,704	241
Additions	–	2,583
Remeasurement	(109)	–
Finance cost charged	74	26
Payment of lease liabilities	(328)	(146)
At end of the financial year	2,341	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 of MFRS 16 for the current financial year end amounted to approximately RM1,000 (2020: RM1,000). There was no lease with contract term of less than 12 months.

56. 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) Lease liabilities analysed by undiscounted contractual payments are as follows:

	Group	
	2021 RM'000	2020 RM'000
Premises		
Up to 1 month	26	28
> 1 month to 3 months	52	56
> 3 months to 6 months	78	85
> 6 months to 12 months	157	169
> 1 year to 5 years	990	1,110
Over 5 years	1,414	1,722
	2,717	3,170

(b) The movements for provision for reinstatement of leased properties are as follows:

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial year	79	30
Additions	–	48
Finance cost charged	2	1
At end of the financial year	81	79

(c) The movements in provision for commitments and contingencies are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	5,500	15,724
Reversal of provision taken up under impaired financing and advances*	(5,200)	(10,224)
Balance at end of the financial year	300	5,500

* During the current financial year, AmBank Islamic reversed RM5.2 million relating to the provision for estimated expenditure in respect of AmBank Islamic's obligations to repurchase financing due to expiry of the repurchase obligations.

In the previous financial year, on 30 August 2019, AmBank Islamic had entered into a Supplemental Sales and Purchase Agreement ("Supplemental SPA") with the purchaser of non-performing financing, Aiqon Islamic Sdn Bhd ("Aiqon Islamic"). 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 AmBank Islamic's liabilities for repurchase of financing. RM10.2 million provision was reversed in the previous financial year in relation to the Supplemental SPA.

56. 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:

	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
2020				
Balance at beginning of the financial year	10,135	8,083	12	18,230
Net allowances for/(writeback of) ECL during the year:	1,539	(1,502)	(5)	32
– Transfer to 12-month ECL (Stage 1)	234	(2,018)	–	(1,784)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(511)	2,384	–	1,873
– Transfer to Lifetime ECL credit impaired (Stage 3)	(43)	(90)	133	–
New exposures originated	4,800	1,843	–	6,643
Net remeasurement of allowances	(2,544)	(3,349)	(138)	(6,031)
Exposures derecognised	(3,366)	(1,164)	–	(4,530)
Changes in model assumptions and methodologies	2,969	892	–	3,861
Foreign exchange difference	7	–	–	7
Balance at the end of the financial year	11,681	6,581	7	18,269

	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
2021				
Balance at beginning of the financial year	11,681	6,581	7	18,269
Net allowances for/(writeback of) ECL during the year:	(2,667)	226	8	(2,433)
– Transfer to 12-month ECL (Stage 1)	326	(2,131)	–	(1,805)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(468)	2,315	–	1,847
– Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(46)	70	(1)
New exposures originated	3,875	2,719	8	6,602
Net remeasurement of allowances	450	(461)	(70)	(81)
Exposures derecognised	(3,856)	(1,278)	–	(5,134)
Changes in model assumptions and methodologies	(2,969)	(892)	–	(3,861)
Foreign exchange difference	(2)	(3)	–	(5)
Balance at the end of the financial year	9,012	6,804	15	15,831

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

The movements in allowances for ECL are as follows:

(a) 12-month ECL (Stage 1) decreased by RM2.7 million mainly due to financial exposures derecognised and reversal of FL ECL overlay provided in previous financial year offset by new exposures originated and net remeasurement of allowances.

(b) Lifetime ECL not credit impaired (Stage 2) increased by RM0.2 million mainly due to new exposures originated and transfer to Stage 2, offset by transfer to Stage 1, financial exposures derecognised, reversal of FL ECL overlay provided in previous financial year and net remeasurement of allowances.

(c) Lifetime ECL credit impaired (Stage 3) increased due to new exposures originated and transfer to Stage 3 and offset by net remeasurement of allowances.

(XVII) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group	
	2021 RM'000	2020 RM'000
Finance income and hibah:		
Financing and advances*	1,200,108	1,331,149
Impaired financing and advances	4,465	1,438
Financial assets at fair value through profit or loss	47,001	76,521
Financial investments at amortised cost	68,646	69,369
Financial investments at fair value through other comprehensive income	177,199	167,744
Deposits and placements with financial institutions	63,134	49,634
Others	7	–
	1,560,560	1,695,855
Gain from sale of financial investments at fair value through other comprehensive income	1,844	9,660
Gain from sale of financial assets at fair value through profit and loss	16,023	14,086
(Loss)/Gain on revaluation of financial assets at fair value through profit and loss	(705)	316
(Loss)/Gain on foreign exchange	(2,661)	8,655
Loss on derivatives	(6,865)	(5,699)
Others	60	73
	7,696	27,091
Fee and commission income:		
Commission	18,397	19,546
Other fee income	33,527	44,132
	51,924	63,678
Total	1,620,180	1,786,624

* Included the net loss of RM63.1 million arising from government support measures implemented in response to COVID-19 pandemic.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVIII) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Group	
	2021 RM'000	2020 RM'000
Income derived from investment of:		
(i) Restricted investment account	25,607	67,361
(ii) Unrestricted investment account	6,466	11,882
	32,073	79,243
(i) Income derived from investment of restricted investment account		
Finance income and hibah:		
Financing and advances	25,607	67,361
(ii) Income derived from investment of unrestricted investment account		
Finance income and hibah:		
Financing and advances	6,135	11,341
Deposits and placements with banks and other financial institutions	331	541
Total finance income and hibah	6,466	11,882

56. 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	
	2021 RM'000	2020 RM'000
Finance income and hibah:		
Financing and advances*	111,068	132,713
Impaired financing and advances	413	144
Financial assets at fair value through profit or loss	4,348	7,661
Financial investments at fair value through other comprehensive income	16,392	16,792
Financial investments at amortised cost	6,350	6,944
Deposits and placements with financial institutions	5,840	4,969
Others	120	120
	144,531	169,343
Gain from sale of financial assets at fair value through profit and loss	1,482	1,410
(Loss)/Gain on revaluation of financial assets at fair value through profit and loss	(65)	32
Gain from sale of financial investments at fair value through other comprehensive income	171	967
(Loss)/Gain on foreign exchange	(246)	852
Loss on derivatives	(635)	(570)
Others	23	7
	730	2,698
Fee and commission income:		
Commission	15,124	10,017
Other fee income	16,578	35,029
	31,702	45,046
Total	176,963	217,087

* Included the net loss of RM5.8 million arising from government support measures implemented in response to COVID-19 pandemic.

(XX) IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2021 RM'000	2020 RM'000
Allowances for impairment on financing and advances:		
Allowances for ECL (Note 56(VI)(h))	615,506	236,362
Impaired financing and advances recovered, net	(99,642)	(80,070)
	515,864	156,292

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXI) (WRITEBACK OF)/ALLOWANCES FOR IMPAIRMENT ON FINANCIAL INVESTMENTS

	Group	
	2021 RM'000	2020 RM'000
Financial investments at amortised cost – sukuk	240	(24)
Financial investments at fair value through other comprehensive income – sukuk	(10,838)	(1,386)
	(10,598)	(1,410)

(XXII) IMPAIRMENT ON OTHER FINANCIAL ASSETS

	Group	
	2021 RM'000	2020 RM'000
Cash and short-term funds	49	19

(XXIII) (WRITEBACK OF)/PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group	
	2021 RM'000	2020 RM'000
(Writeback of)/Allowances for ECL on financial commitments and financial guarantee contracts	(2,433)	32

(XXIV) INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Group	
	2021 RM'000	2020 RM'000
Deposits from customers:		
Non-Mudarabah Fund	714,978	893,967
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund*	43,433	89,301
Others	18,863	23,198
	62,296	112,499
Total	777,274	1,006,466

* Income attributable to deposits and placements of banks and other financial institutions included the fair value gain of RM19.0 million arising from the placements by AmBank from the funds received by AmBank under the government financing scheme for COVID-19 relief measures.

56. 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	
	2021 RM'000	2020 RM'000
Unrestricted		
Customers – investment accounts	3,566	8,767
Restricted		
Licensed bank – investment account	23,046	59,675
	26,612	68,442

(XXVI) OPERATING EXPENSES

	Group	
	2021 RM'000	2020 RM'000
Personnel costs	22,941	25,081
Establishment costs	3,301	3,028
Marketing and communication expenses	5,815	4,724
Administration and general expenses	8,940	11,968
Service transfer pricing expense, net	255,937	263,994
	296,934	308,795

(XXVII) TAXATION AND ZAKAT

	Group	
	2021 RM'000	2020 RM'000
Taxation	(2,358)	90,314
Zakat	1,018	3,027
Taxation and zakat	(1,340)	93,341

56. 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	
	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	1,620,180	1,786,624
Income derived from investment of investment account funds	32,073	79,243
Income derived from Islamic Banking Funds	176,963	217,087
Less: Income attributable to the depositors and others	(777,274)	(1,006,466)
Income attributable to investment account holders	(26,612)	(68,442)
Income attributable to the Group	1,025,330	1,008,046
Less: Finance costs	(98,692)	(99,280)
	926,638	908,766
Consolidation adjustments	3,021	110,789
	929,659	1,019,555

(XXIX) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group	
	2021	2020
Under transitional arrangements, refer Note (1) below		
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.354%	11.404%
Tier 1 Capital Ratio	12.354%	11.404%
Total Capital Ratio	16.814%	16.138%
After deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.248%	11.404%
Tier 1 Capital Ratio	12.248%	11.404%
Total Capital Ratio	16.708%	16.138%

(1) 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.

56. 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.)

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows: (cont'd.)

(1) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios as at 31 March 2021 had been computed applying transitional arrangement on provision for ECL. Under this transitional arrangement, the Group is allowed to add back the amount of loss allowance for non credit impaired exposure (i.e. stage 1 and stage 2 provision) to CET1 Capital. Had this transitional arrangement not been applied, the capital ratios of the Group are as follows:

	Group
	2021
Before deducting proposed dividends:	
Common Equity Tier 1 ("CET1") Capital Ratio	10.914%
Tier 1 Capital Ratio	10.914%
Total Capital Ratio	15.801%
After deducting proposed dividends:	
Common Equity Tier 1 ("CET1") Capital Ratio	10.808%
Tier 1 Capital Ratio	10.808%
Total Capital Ratio	15.694%

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
CET1 Capital		
Ordinary share capital	1,417,107	1,417,107
Retained earnings	2,434,800	2,235,026
Fair value reserve	43,972	56,249
Regulatory reserve	–	71,612
Less: Regulatory adjustments applied on CET1 Capital		
Other intangibles	(718)	(1,034)
Deferred tax assets	(61,567)	–
55% of cumulative gains in fair value reserve	(24,185)	(30,937)
Regulatory reserve	–	(71,612)
Unrealised fair value gains and losses on financial liabilities due to changes in own credit risk	(183)	(148)
Other CET1 regulatory adjustments specified by BNM	502,728	–
CET1/Tier 1 Capital	**4,311,954**	**3,676,263**

56. 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: (cont'd.)

	Group	
	2021 RM'000	2020 RM'000
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,150,000
General provisions*	256,523	376,016
Tier 2 Capital	**1,556,523**	**1,526,016**
Total Capital	**5,868,477**	**5,202,279**
The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:		
Credit RWA	33,237,652	30,993,830
Less: Credit RWA absorbed by Profit Sharing Investment Account	(796,005)	(912,582)
Total Credit RWA	32,441,647	30,081,248
Market RWA	782,524	565,524
Operational RWA	1,677,832	1,589,501
Total Risk Weighted Assets	**34,902,003**	**32,236,273**

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

56. 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	2021 RM'000	2020 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
– up to one year	5,952,699	4,991,693
– over one year	595,233	408,285
Unutilised credit card lines	1,389,410	1,354,936
Forward asset purchases	237,329	159,934
	8,174,671	6,914,848
Contingent Liabilities		
Certain transaction-related contingent items	862,352	751,997
Short-term self liquidating trade-related contingencies	43,131	80,958
Direct credit substitutes	573,954	570,619
	1,479,437	1,403,574
Derivative Financial Instruments		
Profit rate related contracts:		
– Over one year to five years	350,000	350,000
Foreign exchange related contracts:		
– One year or less	3,165,280	2,200,167
– Over one year to five years	1,502,381	2,545,986
Commodity related contracts:		
– One year or less	70,332	73,217
	5,087,993	5,169,370
Total	14,742,101	13,487,792

57. SIGNIFICANT EVENTS

(i) Settlement with Ministry of Finance Malaysia on historical transactions

On 26 February 2021, the Company announced that it had reached an agreement with the MOF Malaysia for a full and final settlement of RM2.83 billion ("the Settlement") in relation to the review by the relevant authorities of historical transactions of the Group with 1Malaysia Development Berhad ("1MDB") and its related entities.

The Settlement of these legacy matters will enable the Group to focus on executing its strategies for its business without any distractions. The Group is committed to continue to deliver value to shareholders, stakeholders and customers.

The Settlement has been fully provided in the Group's financial results for the year ended 31 March 2021 and the Settlement charge is apportioned between AmBank (M) Berhad ("AmBank") and AmInvestment Bank Berhad ("AmInvestment Bank") based on nature of income approach. This resulted in RM2,535 million and RM295 million being apportioned to AmBank and AmInvestment Bank, respectively.

The Settlement resulted in a reduction of the Group's Core Capital Equity Tier 1 (CET1) and Total Capital Ratio by approximately 2.494% and 2.189% respectively as at 31 March 2021.

On 30 March 2021, the Company completed the following equity injections into its fully owned subsidiaries from its existing financial resources:

(1) Equity injection of RM650 million into AmBank via subscription of 66,394,280 new ordinary shares issued by AmBank; and
(2) Equity injection of RM130 million into AmInvestment Bank via the subscription of 114,035,088 new ordinary shares issued by AmInvestment Bank.

(ii) Private Placement of shares under the general mandate from shareholders subsequent to the financial year ended 31 March 2021

To accelerate the restoration of CET1, the Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020.

The decision to launch a private placement was taken by management and the Board, after having assessed the relevant factors post the 26 February 2021 settlement announcement. This action was intended to accelerate the CET1 capital build post settlement. In our opinion, this course of action is in the best interest of the company and also the interests of other stakeholders, including shareholders.

On 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities. The Private Placement raised additional equity capital of RM825 million which will increase the Company's CET1 by 0.707% to 12.040% on a proforma 31 March 2021 basis.

(iii) Annual goodwill impairment review

The Group considered the impact of the Settlement, together with the effects of COVID-19 pandemic, when conducting the annual impairment review of the carrying value of goodwill.

The outcome of the annual assessment resulted in a RM1,789 million impairment charge in the financial results for the year ended 31 March 2021 relating to impairment of goodwill of the conventional banking and investment banking of RM1,365 million and RM424 million, respectively.

The goodwill impairment charge to the Group's statements of profit and loss is a non-cash item, will have no impact to regulatory capital ratios and does not affect future earnings. The Group has also received confirmation from its credit rating agencies that the Group's credit ratings will remain unchanged following the goodwill impairment. Please refer to Note 21 for further details on goodwill impairment.

The Group remains resilient and highly liquid, with Liquidity Coverage Ratio of 157.50% and Net Stable Funding Ratio for all operating entities above 100%.

57. SIGNIFICANT EVENTS (CONT'D.)

(iv) Additional measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporate affected by COVID-19

The Group continues to ensure the forward-looking information used to incorporate the impact of COVID-19 on the ECL estimates is reasonable and supportable. The moratoriums, payment holiday and repayment assistance granted 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.

For financial year ended 31 March 2021, the Group had incorporated additional forward-looking ("FL") estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic to businesses, payment holiday and repayment assistance granted to customers and global oil price slump in the measurement of ECL for loans and advances in the form of FL ECL overlay which amounted to approximately RM582.2 million (2020: RM167.3 million) charged to profit or loss.

58. SIGNIFICANT SUBSEQUENT EVENT

On 31 May 2021, AmBank increased its issued and paid-up ordinary share capital by RM450 million by way of issuance of 46,680,498 new ordinary shares at an issue price of RM9.64 per ordinary share.

APPENDIX

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 (Resigned on 1 September 2020) Ling Fou-Tsong @ Jamie Ling (Appointed on 27 August 2020)
2	AmREIT Holdings Sdn Bhd	Soo Kim Wai Azlan Baqee bin Abdullah Seohan Soo (Resigned on 1 September 2020) Yap Huey Wen (Appointed on 15 September 2020)
3	AmREIT Managers Sdn Bhd	Soo Kim Wai Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Azlan Baqee bin Abdullah Seohan Soo (Resigned on 1 September 2020) Raja Nazirin Shah bin Raja Mohamad Yap Huey Wen (Appointed on 15 September 2020) Tan Sri Mazlan bin Mansor (Appointed on 2 February 2021)
4	AmInvestment Management Sdn Bhd (Under Members' Voluntary Liquidation)	Pushparani a/p A Moothathamby Datin Maznah binti Mahbob Mohd Fauzi bin Mohd Tahir
5	Malaysian Ventures Management Incorporated Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
6	AmPrivate Equity Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
7	AmSecurities Holding Sdn Bhd	Khoo Teck Beng Gan Kim Khoon
8	AMSEC Holdings Sdn Bhd (Under Members' Voluntary Liquidation)	Shaharuddin bin Hassan Tan Giap How, John
9	AMFB Holdings Berhad (Under Members' Voluntary Liquidation)	Tan Sri Azman Hashim Tun Mohammed Hanif bin Omar
10	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir
11	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Duncan Victor Brain (Resigned on 24 August 2020) Dato' Sulaiman bin Mohd Tahir Daniel Francis Coman (Appointed on 24 August 2020)
12	AmGeneral Insurance Berhad	Phoon Soon Keong Duncan Victor Brain (Resigned on 24 August 2020) Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai Daniel Francis Coman (Appointed on 24 August 2020)

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (cont'd.)

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
13	AmBank (M) Berhad	Voon Seng Chuan Soo Kim Wai Raymond Fam Chye Soon Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh U Chen Hock Ng Chih Kaye
14	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
15	MBf Information Services Sdn Bhd	Khoo Teck Beng Lim Kien Hock
16	MBf Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding Up)	Lim Kien Hock Khoo Teck Beng
17	MBf Trustees Berhad (Under Members' Voluntary Winding Up)	Lim Hock Aun Khoo Teck Beng
18	AmProperty Holdings Sdn Bhd	Khoo Teck Beng Lim Kien Hock
19	AmCard Services Berhad	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng
20	Teras Oak Pembangunan Sendirian Berhad	Lim Kien Hock Khoo Teck Beng
21	Bougainvillaea Development Sdn Bhd	Khoo Teck Beng Lim Kien Hock
22	Malco Properties Sdn Bhd (Under Members' Voluntary Winding Up)	Lim Kien Hock Khoo Teck Beng
23	AmPremier Capital Berhad (Under Members' Voluntary Winding-up)	Ling Fou-Tsong @ Jamie Ling Yap Huey Wen
24	AmMortgage One Berhad	Oon Kin Seng Dato' Ng Mann Cheong Loo Boon Seng
25	Komuda Credit & Leasing Sdn Bhd (Under Members' Voluntary Winding-up)	Lim Hock Aun Arunasalam a/l Muthusamy
26	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

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (cont'd.)

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
27	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw
28	AMMB Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding Up)	Khoo Teck Beng Goh Wee Peng
29	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
30	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
31	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
32	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
33	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
34	AmFunds Management Berhad	Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Goh Wee Peng Jeyaratnam a/l Tamotharam Pillai
35	AmIslamic Funds Management Sdn Bhd	Zainal Abidin bin Mohd Kassim Tai Terk Lin Sum Leng Kuang Goh Wee Peng Chee Li Har Wong Weng Tuck
36	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng
37	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 bin Mohd Zin Foong Pik Yee
38	MBF Cards (M'sia) Sdn Bhd	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng