CREATING A POSITIVE IMPACT

GROWING TRUST, CONNECTING PEOPLE

AmBank Group

2022 FINANCIAL REPORT

ABOUT OUR REPORT

AMMB Holdings Berhad's Financial Report (AmBank Group Financial Report 2022) provides information and detailed reporting of our financial performance for the period of 1 April 2021 to 31 March 2022 (FY2022) unless indicated otherwise.

AMMB Holdings Berhad (AMMB or the Company) is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. This Report covers AMMB and its subsidiary companies (AmBank Group or the Group or we).

Reporting Frameworks

Integrated Report

Sustainability Report

Financial Report

Integrated Report

CONTENT

Provides a comprehensive overview of AmBank Group's performance, Corporate Governance Statements, milestones and achievements as well as demonstrates how we create value and balance the needs of all its stakeholders for the financial year ended 31 March 2022 (FY2022), and its outlook for the financial year ending 31 March 2023 (FY2023).

FRAMEWORKS & GUIDELINES

- International Integrated Reporting Framework (IIRF) of the International Integrated Reporting Council (IIRC)
- Main Market Listing Requirements (MMLR) of Bursa Securities Malaysia Berhad (Bursa Securities)
- Corporate Governance Guide (3rd Edition) issued by Bursa Securities
- Companies Act 2016
- Securities Commission Malaysia (SC) Malaysian Code on Corporate Governance 2021
- Global Reporting Initiative (GRI) Standards

Sustainability Report

CONTENT

Presents our sustainability progress and performance. It provides disclosures on how we create positive environmental and social impacts for the betterment of the broader society.

FRAMEWORKS & GUIDELINES

- Global Reporting Initiative (GRI) Standards
- Bursa Securities Sustainability Reporting Guide
- The ACCA Malaysia Sustainability Reporting Guidelines for Malaysian Companies
- Limited Assurance by SIRIM QAS International Sdn Bhd

Financial Report

CONTENT

Provides detailed reporting of Financial Statements and the Audited Annual Financial Results for FY2022 and our outlook for FY2023.

FRAMEWORKS & GUIDELINES

- Malaysian Code on Corporate Governance April 2021 issued by Securities Commission Malaysia
- MMLR of Bursa Securities
- Corporate Governance Guide (3rd Edition) issued by Bursa Securities
- Companies Act 2016
- Bank Negara Malaysia (BNM) Policy Documents and Guidelines
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards
- Financial Services Act (FSA) 2013
- Islamic Financial Services Act (IFSA) 2013

WHAT'S INSIDE

FINANCIAL STATEMENTS

PILLAR 3 DISCLOSURES

31st Annual General meeting

Broadcast Venue

Board Room,
26th Floor Bangunan AmBank Group
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Date

Thursday,
18 August 2022

Time

10.00 a.m.

AMMB HOLDINGS BERHAD

FINANCIAL REPORT 2022

This Financial Report is available on the website at **ambankgroup.com**

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 2022, and of their financial performance and cash flows for the financial year then ended.

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

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

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of AMMB Holdings Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 March 2022.

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
Profit for the financial year	1,594,939	191,499
Attributable to:		
Equity holders of the Company	1,502,682	191,499
Non-controlling interests	92,257	–
Profit for the financial year	1,594,939	191,499

OUTLOOK FOR NEXT FINANCIAL YEAR

Gross Domestic Product ("GDP") growth in Malaysia is expected to improve to between 5.3% to 6.3% for 2022 (2021: 3.1%) in line with its gradual transition from the pandemic phase of COVID-19 to the endemic phase of COVID-19 starting from 1 April 2022. Several key factors such as the Omicron variant being deemed less deadly, the easing of various restrictions imposed to curb the spread of COVID-19, the roll-out of booster doses for adults and vaccination for children, improving employment rates and the timely surge in domestic and global consumer spending due to pent-up demand are expected to contribute to a speedy recovery of the economy. These positive consumer sentiments are further bolstered by expansionary Government initiatives under Budget 2022. Overall, banking system loans are projected to expand around 4% to 5% in 2022, supported by improving business activities and consumer spending.

Nonetheless, the pace of growth may be moderated throughout the year with threats from new COVID-19 variants, geopolitical tension and impact of rising cost of living. Hence, the Group continues to be proactive and prudent in managing risks and asset quality, as evidenced by provisions taken to address asset quality overhang of specific oil and gas exposures, which will result in short-term uptick in credit costs.

On a more positive note, the Group's exposure to assisted loans, advances and financing has reduced considerably from the peak and pre-emptive management overlay that is already in place has provided sufficient buffer against vulnerable loans, advances and financing and sectors which may become impaired following the unwinding of repayment assistance schemes under the Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH") programme in the first half of 2022. Furthermore, the government's Financial Management and Resilience Programme ("URUS") came to an end on 31 March 2022. However, the Group remains committed to providing repayment assistance and sustainable post-pandemic support, under the AmBank Remedial Programme, to customers who are still in need.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 58 to the financial statements.

DIRECTORS' REPORT

SIGNIFICANT SUBSEQUENT EVENT

There were no material events subsequent to the reporting date that required disclosed or adjustment to the financial statements.

BUSINESS PLAN AND STRATEGY

Following the Settlement with the Government of Malaysia in March 2021, the Group continued to move forward and made good progress to end the financial year on stronger financial footing. The commendable financial performance delivered by the Group was achieved at a time when COVID-19 infections were high and economic activity was stunted by movement restriction orders. The display of financial resilience was the result of strong cost discipline and prudent risk management coupled with unwavering focus on the execution of the Group's financial year ("FY") FY2021 – FY2024 Focus 8 strategy, paving the path towards attaining a return on equity ("ROE") of at least 10%.

Now at its halfway mark, AmBank Group recalibrated its FY2021 – FY2024 Focus 8 strategy to adapt to new paradigm shifts in the increasingly dynamic banking industry landscape, especially in the area of digitalisation. This includes initiatives focusing on forging strategic partnerships, driving digital offerings and leveraging on data analytics to enhance customers' experience, as well as supporting climate change initiatives by extending our range of 'green product' offerings and raising environmental, social and governance ("ESG") awareness through sustainable practices.

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 and impairment of investment in an associate as disclosed in Note 17, Note 23 and Note 32 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

No dividend has been paid by the Company since the end of previous financial year.

The directors propose the payment of a final single-tier dividend of 5.0 sen per share in respect of the current financial year ended 31 March 2022, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2023.

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 loans/financing and the making of allowances for doubtful debts and loans/financing, and have satisfied themselves that all known bad debts and loans/financing had been written off and adequate allowances had been made for doubtful debts and loans/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 loans/financing or the amount of the allowances for doubtful debts and loans/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

(1) On 30 December 2021, AmBank (M) Berhad ("AmBank") issued Tranche 8 – Series 1 and Series 2 of Senior Notes with total nominal value of RM150.0 million and RM250.0 million respectively under its Senior Notes programme of RM7.0 billion. Tranche 8 – Series 1 bears interest rate at 2.94% per annum payable semi-annually with a tenure of 1.5 years and Tranche 8 – Series 2 bears interest at 3.14% per annum payable semi-annually with a tenure of 2 years.

(2) On 8 March 2022, AmBank issued Tranche 8 with nominal value of RM600.0 million under its RM4.0 billion Subordinated Notes Issuance Programme. The interest rate of this tranche is at 4.30% per annum payable semi-annually with a tenure of 10 years (callable in 5th years).

(3) On 8 March 2022, AmBank Islamic Berhad ("AmBank Islamic") issued Tranche 9 with nominal value of RM250.0 million under its RM3.0 billion Subordinated Sukuk Murabahah ("Sukuk Murabahah") programme. The profit rate of this tranche is at 4.25% per annum payable semi-annually with a tenure of 10 years (non-callable 5 years).

DIRECTORS' REPORT

ISSUANCE OF SHARES AND DEBENTURES (CONT'D.)

(ii) Redemption of debt securities

(1) AmBank Islamic redeemed the following tranches of its Sukuk Murabahah of RM3.0 billion in nominal value:

(i) Tranche 4 with nominal value of RM10.0 million on its first call date of 30 December 2021; and

(ii) Tranche 5 with nominal value of RM240.0 million on its first call date of 15 March 2022.

(2) On its first call date of 15 March 2022, AmBank fully redeemed Tranche 2 of Subordinated Notes with nominal amount of RM500.0 million issued under its Subordinated Notes Programme of RM4.0 billion.

(3) AmBank Islamic redeemed Tranche 5 of RM3.0 billion Senior Islamic securities issuance programme ("Senior Sukuk") upon maturity with nominal value amounting to RM200.0 million.

(iii) Issuance of shares

On 14 April 2021, the Company issued 300 million new ordinary shares at RM2.75 per share arising from the completion of private placement. The total share capital raised amounted to RM825.0 million. This action was intended to accelerate the Common Equity Tier 1 ("CET1") capital build post settlement with Ministry of Finance ("MOF") Malaysia in previous financial year. Out of RM825.0 million, RM822.6 million was used for working capital purposes including injection of capital into the Group's operating subsidiaries. Expenses for the private placement was RM2.4 million.

On 31 May 2021, the Company subscribed for the issuance of 46,680,498 new ordinary shares by AmBank at an issue price of RM9.64 per ordinary share which amounted to RM450.0 million.

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

SHARE OPTIONS

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

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

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 RM398,500.

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.

EXECUTIVES' SHARE SCHEME (CONT'D.)

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the 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 5,330,700 ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM3.15 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM16.8 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 Md Nor bin Md Yusof	(Appointed on 30 April 2022)
Robert William Goudswaard	
Soo Kim Wai	
Voon Seng Chuan	
Seow Yoo Lin	
Farina binti Farikhullah Khan	
Hong Kean Yong	
Dato' Kong Sooi Lin	
Felicity Ann Youl	(Appointed on 15 April 2022)
Tan Sri Azman Hashim	(Retired on 29 April 2022)
Graham Kennedy Hodges	(Retired on 2 September 2021)

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 1.4.2021	Bought	Sold	Balance at 31.3.2022
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' REPORT

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 2021.

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), promote sustainability in the Group's business strategies, and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

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

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

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

(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.

CORPORATE GOVERNANCE (CONT'D.)

(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	11 January 2022	Long-term Corporate Credit Rating Short-term Corporate Credit Rating Outlook	AA3 P1 Stable
AmBank (M) Berhad			
Moody's Investors Service	18 August 2021	Long-term Bank Deposits (Foreign) Rating Short-term Bank Deposits (Foreign) Rating Outlook	A3 P-2 Negative
S&P Global Ratings	21 January 2022	Long-term Foreign Currency Rating Short-term Foreign Currency Rating Outlook	BBB+ A-2 Negative
RAM Rating Services Berhad	11 January 2022	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
Fitch Ratings	29 November 2021	Long-term Foreign Currency Rating Short-term Foreign Currency Rating Outlook	BBB- F3 Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	11 January 2022	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	11 January 2022	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 five (5) 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 oversee purification of income pursuant to SNC events, including the channeling of such income to charity; and

(xii) to assist in AmBank Islamic's sustainability and value-based intermediation ("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.

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.

SHARIAH COMMITTEE (CONT'D.)

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

(i) to determine whether potential 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, including endorsing action plan/rectification measures in addressing SNC event; 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 MD NOR BIN MD YUSOF

SEOW YOO LIN

Kuala Lumpur, Malaysia
30 May 2022

STATEMENT BY DIRECTORS

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

We, **TAN SRI MD NOR BIN MD YUSOF** 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 18 to 261 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 2022 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 MD NOR BIN MD YUSOF

SEOW YOO LIN

Kuala Lumpur, Malaysia
30 May 2022

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 18 to 261 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 30 May 2022

LING FOU-TSONG @ JAMIE LING

Before me,

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2022-30/9/2022
MALAYSIA

COMMISSIONER FOR OATHS

Lot 333, 3rd Floor
Wisma New Asia
Jalan Raja Chulan
50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AMMB Holdings Berhad, which comprise the statements of financial position as at 31 March 2022 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 18 to 261.

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 2022, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and debt instruments not carried at fair value through profit or loss	
As at 31 March 2022, the loans, advances and financing represent 67.5% of the total assets of the Group, and the debt instruments carried at amortised cost and fair value through other comprehensive income represent 15.8% 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 debt instruments 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 debt instruments. 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.

INDEPENDENT AUDITORS' REPORT

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

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 debt instruments not carried at fair value through profit or loss (cont'd.)	
The measurement of ECL requires the application of significant judgement 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 judgement in Note 5.1, disclosures of loans, advances and financing and debt Instruments 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 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 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 debt instruments 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 2022, goodwill amounts to RM1.0 billion. The Group is required to annually test the carrying amount of goodwill for impairment. 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 2022, the carrying amount of investment in subsidiaries stood at RM10.9 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 judgement and are based on complex assumptions that are affected by expected future market and economic conditions. Refer to summary of significant accounting policies in Notes 2.5(b) and 2.5(s)(i), significant accounting estimates and judgement in Note 5.3 and the disclosures of (i) goodwill and (ii) investment in subsidiaries in Notes 21(a) and 16(a) to the financial statements.	Our audit procedures included, amongst others, 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 have also performed sensitivity analysis around the key drivers of the growth rates of the cash flow forecasts including the revenue growth. We have assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

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

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

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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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(a) 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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Qadri bin Jahubar Sathik
No. 03254/05/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 May 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

		Group		Company	
		2022	2021 (Restated) Note 55	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	6	13,221,099	18,809,478	717,660	689,326
Deposits and placements with banks and other financial institutions	8	1,301,449	103,028	–	–
Derivative financial assets	9	821,373	1,291,190	–	–
Financial assets at fair value through profit or loss	10	7,216,560	9,561,974	1,128	1,104
Financial investments at fair value through other comprehensive income	11	18,756,757	17,786,198	–	–
Financial investments at amortised cost	12	9,037,766	6,043,474	–	–
Loans, advances and financing	13	118,065,685	110,616,504	–	–
Statutory deposits with Bank Negara Malaysia	14	376,523	425,278	–	–
Deferred tax assets	15	218,551	134,350	–	–
Investments in subsidiaries and other investments	16	–	–	10,857,350	10,407,425
Investments in associates and joint ventures	17	604,542	588,937	–	–
Other assets	18	2,885,319	2,452,201	11,615	1,833,358
Reinsurance assets and other insurance receivables	52(I)	580,705	432,684	–	–
Property and equipment	19	180,968	215,934	–	1
Right-of-use assets	20	189,372	270,753	–	–
Intangible assets	21	1,399,912	1,443,947	–	–
Assets held for sale	54	2,324	2,324	–	–
TOTAL ASSETS		174,858,905	170,178,254	11,587,753	12,931,214
LIABILITIES AND EQUITY					
Deposits from customers	22	122,592,850	120,543,186	–	–
Investment accounts of customers	56(XIII)	377,861	94,834	–	–
Deposits and placements of banks and other financial institutions	23	9,894,585	9,920,887	–	–
Securities sold under repurchase agreements	7	1,582,717	810,171	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	24	8,375,023	7,275,018	–	–
Derivative financial liabilities	9	803,563	1,269,809	–	–
Term funding	25	1,880,097	1,749,870	–	–
Debt capital	26	4,395,000	4,295,000	–	–
Redeemable cumulative convertible preference share		–	238,713	–	–
Deferred tax liabilities	15	8,093	19,669	–	–
Other liabilities	27	4,302,862	5,891,731	533,827	2,872,422
Insurance contract liabilities and other insurance payables	52(I)	2,687,361	2,479,007	–	–
TOTAL LIABILITIES		156,900,012	154,587,895	533,827	2,872,422
Share capital	28	6,776,240	5,951,557	6,372,870	5,550,250
Treasury shares	29(f)	(11,041)	(20,970)	(11,041)	(20,970)
Reserves	29	9,994,593	8,710,190	4,692,097	4,529,512
Equity attributable to equity holders of the Company		16,759,792	14,640,777	11,053,926	10,058,792
Non-controlling interests	31	1,199,101	949,582	–	–
TOTAL EQUITY		17,958,893	15,590,359	11,053,926	10,058,792
TOTAL LIABILITIES AND EQUITY		174,858,905	170,178,254	11,587,753	12,931,214
COMMITMENTS AND CONTINGENCIES	46	122,661,380	136,999,665	–	–
NET ASSETS PER SHARE (RM)		5.06	4.87	3.34	3.34

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

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 March 2022

	Note	Group 2022 RM'000	Group 2021 (Restated) Note 55 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest income	32	4,066,613	4,155,780	19,327	6,550
Interest expense	33	(1,770,242)	(2,063,873)	–	–
Net interest income		2,296,371	2,091,907	19,327	6,550
Net income from Islamic banking	56(XXVIII)	1,062,026	929,659	–	–
Income from insurance business	52(III)	1,334,847	1,398,558	–	–
Insurance claims and commissions	52(III)	(858,280)	(904,245)	–	–
Net income from insurance business	52(III)	476,567	494,313	–	–
Other operating income	34	785,960	992,763	194,214	355,500
Share in results of associates and joint ventures		44,091	43,813	–	–
Net income		4,665,015	4,552,455	213,541	362,050
Other operating expenses	35	(2,094,227)	(2,132,235)	(17,643)	(22,411)
Operating profit before impairment losses and settlement		2,570,788	2,420,220	195,898	339,639
Allowances for impairment on loans, advances and financing	37	(314,179)	(913,235)	–	–
(Allowances for)/Writeback of impairment on:					
Financial investments	38	(270,240)	(195,225)	–	–
Insurance receivables	52(IV),(VI)	1,681	6,208	–	–
Other financial assets	38	(1,878)	332	–	–
Provision for commitments and contingencies					
– charge	27(b),(c),(d)	(176,988)	(39,296)	–	–
Other recoveries, net		186	4,469	–	–
Impairment of goodwill	21(a)	–	(1,789,153)	–	–
Impairment of investment in associate	17	(4,625)	(147,819)	–	–
Settlement	57	–	(2,830,000)	–	–
Profit/(Loss) before taxation and zakat		1,804,745	(3,483,499)	195,898	339,639
Taxation and zakat	39	(209,806)	(228,595)	(4,399)	(1,532)
Profit/(Loss) for the financial year		**1,594,939**	**(3,712,094)**	**191,499**	**338,107**
Attributable to:					
Equity holders of the Company		1,502,682	(3,826,466)	191,499	338,107
Non-controlling interests		92,257	114,372	–	–
Profit/(Loss) for the financial year		**1,594,939**	**(3,712,094)**	**191,499**	**338,107**
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic/Diluted	40	45.54	(127.22)		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit/(Loss) for the financial year		1,594,939	(3,712,094)	191,499	338,107
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)	(1,133)	1,213	–	–
Financial investments at fair value through other comprehensive income ("FVOCI")					
– net unrealised gain on changes in fair value		3,148	93,242	–	–
Tax effect relating to components of other comprehensive income					
– defined benefit liability	15, 27(b)(ii)	272	(291)	–	–
– financial investments at FVOCI	15	–	314	–	–
		2,287	94,478	–	–
Items that may be reclassified subsequently to statements of profit or loss					
Currency translation gain/(loss) on foreign operations		3,879	(13,675)	–	–
Cash flow hedge					
– gain arising during the financial year	9(v)	1,654	5,615	–	–
– amortisation of fair value changes for terminated hedges	9(v)	8,724	9,130	–	–
Financial investments at FVOCI					
– net unrealised (loss)/gain on changes in fair value		(260,663)	19,166	–	–
– net gain reclassified to profit or loss		(4,813)	(25,507)	–	–
– changes in expected credit losses	38	2,263	(14,392)	–	–
– foreign exchange differences		2	(5)	–	–
Tax effect relating to the components of other comprehensive loss/(income)					
– cash flow hedge	9(v),15	(2,491)	(3,539)	–	–
– financial investments at FVOCI	15	63,626	1,691	–	–
Share of reserve movements in equity accounted joint ventures		(4,255)	(1,030)	–	–
		(192,074)	(22,546)	–	–
Other comprehensive (loss)/income for the financial year, net of tax		(189,787)	71,932	–	–
Total comprehensive income/(loss) for the financial year		1,405,152	(3,640,162)	191,499	338,107
Total comprehensive income/(loss) for the financial year attributable to:					
Equity holders of the Company		1,313,317	(3,754,986)	191,499	338,107
Non-controlling interests		91,835	114,824	–	–
		1,405,152	(3,640,162)	191,499	338,107

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

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 March 2022

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	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 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)(4)(ii)	100,000	–	–	–	–	–	–	–	(100,000)	–	–	–
Return of capital by a subsidiary	16(a)(4)(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.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2022

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	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 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
Profit for the financial year		–	–	–	–	–	–	–	–	1,502,682	1,502,682	92,257	1,594,939
Other comprehensive (loss)/income, net		–	–	(200,692)	7,887	3,879	–	–	–	(439)	(189,365)	(422)	(189,787)
Total comprehensive (loss)/income for the financial year		–	–	(200,692)	7,887	3,879	–	–	–	1,502,243	1,313,317	91,835	1,405,152
Issue of ordinary share capital pursuant to:-													
– private placement	28	824,683	–	–	–	–	–	–	–	–	824,683	–	824,683
Buy-back of shares		–	–	–	–	–	–	(16,812)	–	–	(16,812)	–	(16,812)
Share-based payment under ESS, net		–	–	–	–	–	(2,173)	–	–	–	(2,173)	–	(2,173)
ESS shares vested to employees		–	–	–	–	–	(29,133)	26,741	–	2,392	–	–	–
Transfer to regulatory reserve		–	102,920	–	–	–	–	–	–	(102,920)	–	–	–
Subscription of shares arising from conversion of redeemable cumulative convertible preference shares by a subsidiary		–	–	–	–	–	–	–	–	–	–	256,164	256,164
Transfer of net gain upon disposal of financial investments at fair value through other comprehensive income to retained earnings	11(i)	–	–	(8,871)	–	–	–	–	–	8,871	–	–	–
Dividends paid	41	–	–	–	–	–	–	–	–	–	–	(98,480)	(98,480)
Transactions with owners and other equity movements		824,683	102,920	(8,871)	–	–	(31,306)	9,929	–	(91,657)	805,698	157,684	963,382
At 31 March 2022		6,776,240	102,920	499,227	(9,062)	98,871	36,472	(11,041)	45,715	9,220,450	16,759,792	1,199,101	17,958,893

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

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 2021		5,550,250	67,778	(20,970)	4,461,734	10,058,792
Profit for the financial year		–	–	–	191,499	191,499
Total comprehensive income for the financial year		–	–	–	191,499	191,499
Issue of ordinary share capital pursuant to:-						
– private placement	28	822,620	–	–	–	822,620
Buy-back of shares		–	–	(16,812)	–	(16,812)
Share-based payment under ESS, net		–	(2,173)	–	–	(2,173)
ESS shares vested to employees		–	(29,133)	26,741	2,392	–
Transactions with owners and other equity movements		822,620	(31,306)	9,929	2,392	803,635
At 31 March 2022		6,372,870	36,472	(11,041)	4,655,625	11,053,926

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2022

	Note	Group 2022 RM'000	Group 2021 (Restated) Note 55 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation and zakat		1,804,745	(3,483,499)	195,898	339,639
Adjustments for:					
Amortisation of fair value changes on terminated hedges	9	8,724	9,130	–	–
Amortisation of intangible assets	35	107,195	110,695	–	–
Amortisation of issuance costs and premium for term funding	25	3,471	5,830	–	–
Net accretion of discount for securities		(43,673)	(65,135)	–	–
Gain on liquidation of subsidiaries	34	(5)	(2,457)	(65)	–
Depreciation of property and equipment	35	62,901	69,892	1	115
Depreciation of right-of-use assets	35	77,884	82,342	–	–
Interest on lease liabilities	35	7,815	12,191	–	–
Provision for reinstatement of leased properties	35	107	141	–	–
Gain on disposal of properties and equipment		(75)	(145)	–	(38)
Dividend income	34	(4,206)	(3,689)	(193,058)	(354,260)
Allowances for impairment on financial investments	38	270,240	195,225	–	–
Impairment loss on investment in associate	17	4,625	147,819	–	–
Impairment of goodwill	21(a)	–	1,789,153	–	–
Allowances for/(Writeback of) impairment loss of other financial assets and insurance receivables	38, 52(IV),(VI)	197	(6,540)	–	–
Property and equipment written off	35	55	102	–	–
Intangible assets written off		5	–	–	–
Allowance for expected credit losses on loans, advances and financing, net	37	554,563	1,264,849	–	–
Net loss on revaluation of derivatives		5,225	101,411	–	–
Unrealised loss on revaluation of hedged item arising from fair value hedge	9	9,087	6,177	–	–
Net loss/(gain) on sale of financial assets at fair value through profit or loss		442	(292,893)	–	–
Net gain on sale of financial investments at fair value through other comprehensive income		(4,814)	(25,507)	–	–
Net gain on redemption of financial investments at amortised cost	34	–	(3,413)	–	–
Gain on disposal of foreclosed properties	34	–	(540)	–	–
Net loss/(gain) on revaluation of financial assets at fair value through profit or loss		41,502	(65,713)	–	–
Allowances for expected credit losses on commitments and contingencies	27(d)	182,681	45,407	–	–
Writeback of provision for commitments and contingencies	27(c)	(5,693)	(810)	–	–
Scheme shares granted under Executives' Share Scheme ("ESS")	35	(2,256)	39,452	–	–
Share in results of associates and joint ventures		(44,091)	(43,813)	–	–
Net adjustments of COVID-19 relief measures		(76,022)	(41,317)	–	–
Unrealised foreign exchange loss/(gain) on term funding	25(c)	6,897	(16,933)	–	–
Settlement	57	–	2,830,000	–	–
Operating profit/(loss) before working capital changes carried forward		2,967,526	2,657,412	2,776	(14,544)

	Note	Group 2022 RM'000	Group 2021 (Restated) Note 55 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		2,967,526	2,657,412	2,776	(14,544)
Adjustments for: (cont'd.)					
Remeasurement of right-of-use assets	20	13,647	(14,049)	–	–
Remeasurement of lease liabilities	27(e)	(14,170)	14,105	–	–
Remeasurement of provision for reinstatement	27(f)	–	(318)	–	–
Termination of lease		(54)	–	–	–
(Increase)/Decrease in operating assets:					
Deposits and placements with banks and other financial institutions		(132)	(9,123)	–	–
Financial assets at fair value through profit or loss		2,349,902	3,393,602	(24)	(26)
Loans, advances and financing		(7,896,224)	(6,234,489)	–	–
Statutory deposits with Bank Negara Malaysia		48,754	63,728	–	–
Other assets		(393,088)	489,339	1,821,743	(1,831,567)
Reinsurance assets and other insurance receivables		(146,857)	31,430	–	–
Increase/(Decrease) in operating liabilities:					
Deposits from customers		2,049,664	7,576,475	–	–
Investment accounts of customers		283,026	(113,892)	–	–
Deposits and placements of banks and other financial institutions		(57,800)	74,348	–	–
Securities sold under repurchase agreements		772,546	(5,542,538)	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad		1,100,005	2,134,995	–	–
Term funding		119,859	(740,766)	–	–
Other liabilities		(1,704,389)	(896,729)	(2,342,053)	2,863,246
Insurance contract liabilities and other insurance payables		208,354	(157)	–	–
Cash (used in)/generated from operations		(299,431)	2,883,373	(517,558)	1,017,109
Taxation and zakat paid, net		(234,201)	(320,745)	(3,114)	(212)
Net cash (used in)/generated from operating activities		(533,632)	2,562,628	(520,672)	1,016,897
CASH FLOWS FROM INVESTING ACTIVITIES					
(Purchase)/Disposal of financial investments		(4,502,185)	660,254	–	–
Dividend income received from other investments	34	4,206	3,689	–	–
Proceeds from disposal of property and equipment		358	3,612	–	191
Capital return from subsidiaries liquidated during the year		–	–	140	–
Purchase of property and equipment	19	(25,425)	(39,707)	–	–
Purchase of intangible assets	21	(75,009)	(92,416)	–	–
Dividend received from subsidiaries	34	–	–	193,058	354,260
Subscription of shares in subsidiary	16(a)(3)(i)	–	–	(450,000)	(780,000)
Purchase of treasury shares	29(f)	(16,812)	(4,588)	(16,812)	(4,588)
Dividend received from associate		19,606	5,303	–	–
Net cash (used in)/generated from investing activities		(4,595,261)	536,147	(273,614)	(430,137)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2022

	Note	Group 2022 RM'000	Group 2021 (Restated) Note 55 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of Subordinated Notes/Sukuk (net)	26(a)	100,000	550,000	–	–
Repayment of lease liabilities	27(e)	(85,647)	(90,923)	–	–
Dividends paid by the Company to its shareholders	41	–	(219,696)	–	(219,696)
Dividends paid to non-controlling interests		(98,480)	(95,510)	–	–
Return of capital to non-controlling interest		–	(49,000)	–	–
Proceeds from issuance of shares from private placement (net)		824,683	–	822,620	–
Net cash generated from/(used in) financing activities		740,556	94,871	822,620	(219,696)
Net (decrease)/increase in cash and cash equivalents		(4,388,337)	3,193,646	28,334	367,064
Cash and cash equivalents at beginning of the financial year		18,905,756	15,711,919	689,326	322,262
Effect of exchange rate changes		(555)	191	–	–
Cash and cash equivalents at end of the financial year (Note a)		14,516,864	18,905,756	717,660	689,326

Note a: Cash and Cash Equivalents

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash and short-term funds	6	13,221,099	18,809,478	717,660	689,326
Deposits and placements with banks and other financial institutions	8	1,301,449	103,028	–	–
		14,522,548	18,912,506	717,660	689,326
Less: Deposits with original maturity of more than 3 months	8	(9,254)	(9,123)	–	–
		14,513,294	18,903,383	717,660	689,326
Add:					
Allowances for expected credit loss ("ECL") for cash and cash equivalents	6 and 8	3,570	2,373	–	–
Cash and cash equivalents		14,516,864	18,905,756	717,660	689,326

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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 2022.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 Presentation of financial statements

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

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e. "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 47.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(e) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Foreign subsidiaries and operations

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

(f) Property and equipment

Property 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 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

An item of property 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(g) Leases (cont'd.)

(i) The Group as a lessee (cont'd.)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of the assets, as follows:

Premises	50 years or over the term of short term lease
Computer equipment	3 to 8 years

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Research and development costs

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

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

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

(i) Financial instruments – initial recognition and measurement

(i) Initial recognition

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

(ii) Initial measurement

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

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

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Group and the Company immediately recognise the difference between the transaction price and fair value (a "Day 1" profit or loss) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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")/ principal and profit ("SPPP"). In making this assessment, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending/financing arrangement, i.e. interest/profit includes only consideration for time value of money, credit risk, other basic lending/financing risks and a profit margin that is consistent with a basic lending/financing arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI/SPPP.

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/SPPP, and that are not designated at FVTPL, are measured at amortised cost using the effective interest/effective profit 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")/ effective profit rate ("EPR"). The EIR/EPR amortisation is included in "interest income"/"profit 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 and sukuk, "impairment losses on loans, advances and financing" for loans, advances and financing or "doubtful receivables" for losses other than bonds, sukuk, loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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.)

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI/SPPP, 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/profit income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Interest/Profit earned whilst holding the assets are reported as "interest income"/"profit income" using the effective interest/effective profit 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/Profit earned whilst holding the assets are reported as "interest income"/"profit income" using the effective interest/effective profit 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/Profit earned is recognised in "interest income"/"profit income" using the effective interest/effective profit 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 loans, advances and financing 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/financings are subsequently measured at amortised cost using the effective interest/effective profit 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/EPR.

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/financing 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/customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower/customer 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/financing;
– significant extension of the loan/financing term when the borrower/customer is not in financial difficulty;
– significant change in the interest rate/profit rate;
– change in the currency the loan/financing is denominated in; or
– insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

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/EPR 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/customer 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/EPR.

(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/financier 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/EPR, 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/profit 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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/financing 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/Profit income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of interest/rate of profit 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/financing commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan/financing and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan/financing component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan/financing. To the extent that the combined ECL exceed the gross carrying amount of the loan/financing, the ECL are recognised as a provision.

The methodology applied in measuring ECL is explained in Note 49.2.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

(i) Rescheduled and restructured loans/financing

Where possible, the Group seeks to reschedule or restructure loans/financing rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan/financing conditions. Once the terms have been rescheduled or restructured, any impairment is measured using the original EIR/EPR as calculated before the modification of terms. Management continually reviews impaired rescheduled or restructured loans/financing 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/profit 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(q) Hedge accounting (cont'd.)

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

(i) Fair value hedges

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

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest/effective profit method. EIR/EPR 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(s) Impairment of non-financial assets

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

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

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

The following assets have specific characteristics for impairment testing:

(i) Goodwill

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

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

(ii) Intangible assets

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

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

2. ACCOUNTING POLICIES (CONT'D.)

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

(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 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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(x) Financial guarantee contracts and loan/financing 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/customer 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/financing 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

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

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

For all interest-bearing/profit-bearing financial assets and financial liabilities measured at amortised cost, interest-bearing/profit-bearing financial investments at FVOCI and financial assets and financial liabilities at FVTPL, interest/financing income or expense is calculated using the effective interest/effective profit method. EIR/EPR 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/EPR, 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/EPR 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/EPR from the date of the change in estimate.

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

Loan/Financing commitment fees for loans/financing 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/EPR on the loan/financing.

(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.

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

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.

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/financing arrangement, commission income, asset management, custody and other management and advisory fees. Loan/Financing commitment fees for loans/financing 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.

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.)

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(z) Employee benefits (cont'd.)

(iii) Defined benefit plans (cont'd.)

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:

– when 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;
– 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:

– when 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;
– 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ab) Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

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

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

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(al) General insurance underwriting results (cont'd.)

(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 in 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.

(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 reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claims liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Premium liabilities

Premium liabilities are recorded at the higher of the following:

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

(iii) UPR

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

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

i. 25% method for Malaysian marine cargo, aviation cargo and transit business;
ii. Daily time apportionment method for all other classes; or
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:

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

In addition, formal designation of a hedging relationship shall be amended to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform without discontinuing the existing hedging relationship or designation of a new hedging relationship.

In view of the practical expedient and temporary exceptions provided in these amendments, the discontinuation of London Interbank Offer Rate ("LIBOR") and the transition to alternative RFRs has not resulted in any significant financial impact to the Group.

At the date of the financial statements there are still some contracts which have yet to transition to alternative RFRs relating to USD LIBOR, which the exposure of these contracts are detailed in Note 49.4.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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
– 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
– Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendment 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
– Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)	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

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 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.

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

The amendments explain that, for the purpose of determining the unavoidable costs of meeting the entity's contractual obligations, the direct cost of fulfilling a contract 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.

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

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

(i) 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) (cont'd.)

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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

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

MFRS 17 *Insurance Contracts*, Amendments to MFRS 17, and Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendment 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. An entity that first applies MFRS 17 and MFRS 9 at the same time is also permitted to apply a classification overlay on the comparative information about a financial asset as if the classification and measurement requirements of MFRS 9 had been applied to that financial asset before to overcome potential accounting mismatches.

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.

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

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

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

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.

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.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)

The amendments clarified that that the initial exemption rule from recognising deferred taxes does not apply to transactions where both an asset and a liability are recognised at the same time resulting in equal amounts of taxable and deductible temporary differences. This essentially means that lessees would not be able to apply the initial exemption rule in MFRS 112 for the assets and liabilities arising from leases.

The amendments are applied from annual reporting period beginning on or after 1 January 2023. Early adoption is permitted. As the Group currently adopted the policy not to recognise deferred taxes on leases, additional deferred taxes on temporary differences associated with right-of-use assets, lease liabilities and decommissioning obligations would need to be recognised when the amendments become effective.

(iii) 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

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

During the current financial year, BNM had announced the extension of additional relief measures to assist borrowers/customers affected by COVID-19 pandemic in line with the Government economic stimulus package. The additional relief measures include the following:

(i) The Supplementary Strategic Programme to Empower the People and Economy (Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan "PEMERKASA Plus")

The targeted repayment assistance initiative under PEMERKASA Plus financial aid package were announced by the Government on 31 May 2021. The package is focused to borrowers/customers who have experienced loss of employment, B40 who are recipients of the Bantuan Sara Hidup ("BSH") or Bantuan Prihatin Rakyat ("BPR") and any microenterprise (with approved loan/financing facilities of less than RM150,000) as well as small and medium-sized enterprises ("SMEs") and microenterprises that are not allowed to operate during the Movement Control Order ("MCO") (locked-down sectors), with the choice of a payment deferment for 3-months or a reduction of monthly instalments by 50% for a period of 6-months. In addition, all individual loan/financing customers who have suffered a reduction in income will be offered a lower monthly instalment payment plan, which corresponds with the reduction in their income.

(ii) National People's Well-Being and Economic Recovery Package (Perlindungan Rakyat and Pemulihan Ekonomi "PEMULIH")

In line with the announcement of Pakej Perlindungan Rakyat dan Ekonomi ("PEMULIH") by the Government on 28 June 2021, repayment assistance of payment deferment for a period of six-months or 50% reduction in the monthly instalment payment for a period of six-month are being offered to all eligible individuals, microenterprises and any SME whose financial condition has been adversely affected by the pandemic.

(iii) Financial Management and Resilience Programme (Program Pengurusan dan Ketahanan Kewangan "URUS")

Further to announcement made by BNM and banking industry (represented collectively by The Association of Banks in Malaysia ("ABM"), Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") and Association of Development Finance Institutions of Malaysia ("ADFIM")) on 14 October 2021, the Group had offered the URUS for eligible individual customers of the following criteria:

(a) from B50 income segment (customers with gross household income of RM5,880 or lower, based on the definition by the Department of Statistics of Malaysia;

(b) experienced either loss of employment or reduction of income at least 50%;

(c) under an existing repayment assistance programme (e.g. Targeted Repayment Assistance, PEMERKASA Plus, PEMULIH, the Group's own rescheduling and restructuring) as at 30 September 2021; and

(d) whose loan/financing is still performing (not in arrears exceeding 90 days) as at the date of application by customer.

Under URUS, Agensi Kaunseling dan Pengurusan Kredit ("AKPK") provides the customer with a personalised financial plan that is developed holistically, taking into account the customer's financial circumstances and ability to afford repayment of all financing obligations.

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") in the Central Credit Reference Information System ("CCRIS"). Nevertheless, the Group is required to report the credit-impaired status consistently with the accounting classification.

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/financing 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.

5.2 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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.

In the current financial year, based on legal opinion received, AmBank and AmInvesment Bank claimed tax deduction on the settlement of RM2.83 billion with Ministry of Finance Malaysia and its related expenses of RM21.0 million in their tax returns for the Year Assessment ("YA") 2021. Accordingly, AmBank and AmInvestment Bank recognised a portion of tax deduction amounting to RM220.5 million and RM14.1 million respectively as tax recoverable while the unutilised tax loss arose from the remaining tax deduction will be reassessed throughout the discussion between the Group and Inland Revenue Board.

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	1,502,255	1,980,207	717,660	689,326
Deposits and placements maturing within one month:				
Licensed banks	3,234,599	3,107,446	–	–
Bank Negara Malaysia	8,191,800	13,530,000	–	–
Other financial institutions	294,690	194,156	–	–
	11,721,089	16,831,602	–	–
	13,223,344	18,811,809	717,660	689,326
Less: Allowances for ECL	(2,245)	(2,331)	–	–
	13,221,099	18,809,478	717,660	689,326

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
2022				
Balance at beginning of the financial year		2,310	21	2,331
Net (writeback of)/allowances for ECL	38	(60)	–	(60)
Transfer from deposits and placements with banks and other financial institutions	8	3,325	–	3,325
New financial assets originated		22,795	4	22,799
Financial assets derecognised		(26,374)	(2)	(26,376)
Net remeasurement of allowances		194	(2)	192
Foreign exchange differences		(25)	(1)	(26)
Balance at end of the financial year		2,225	20	2,245

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 allowances for impairment on cash and short-term funds had decreased due to decrease in the Group's foreign currencies placement at the end of the financial year which resulted in decrease of allowance in Stage 1; partially offset by the transfer from deposits and placement with banks and other financial institutions.

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amount represents the liabilities in correspondence to the cash received from the sale 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	
	2022 RM'000	2021 RM'000
Deposits and placements with licensed banks maturing more than one month:		
Licensed banks	1,302,774	103,070
Less: Allowances for ECL	(1,325)	(42)
	1,301,449	103,028
Of which deposits and placements with original maturity of:		
Three months or less	1,293,520	93,947
More than three months	9,254	9,123
	1,302,774	103,070

Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-month ECL RM'000
2022		
Balance at beginning of the financial year		42
Net allowances for ECL	38	1,283
Transfer to cash and short-term funds	6	(3,325)
New financial assets originated		4,573
Net remeasurement of allowances		35
Balance at end of the financial year		1,325

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 allowances for impairment on deposits and placement with banks and other financial institutions increased mainly due to increase in the Group's foreign currencies placements at the end of financial year; partially offset by the transfer to cash and short-term funds.

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	2022 Contract/ Notional Amount RM'000	2022 Fair Value Assets RM'000	2022 Fair Value Liabilities RM'000	2021 Contract/ Notional Amount RM'000	2021 Fair Value Assets RM'000	2021 Fair Value Liabilities RM'000
Trading derivatives						
Interest/Profit rate related contracts:	38,845,917	424,297	345,542	45,289,858	624,513	674,371
– One year or less	12,051,408	54,274	49,463	13,436,363	39,872	54,341
– Over one year to three years	15,851,862	125,730	119,451	19,130,217	240,773	288,511
– Over three years	10,942,647	244,293	176,628	12,723,278	343,868	331,519
Foreign exchange related contracts:	48,628,852	341,606	372,353	56,479,420	642,697	536,032
– One year or less	40,258,048	124,735	105,866	47,993,667	317,249	304,083
– Over one year to three years	5,031,525	142,909	144,524	4,282,828	125,489	81,846
– Over three years	3,339,279	73,962	121,963	4,202,925	199,959	150,103
Credit related contracts:	–	–	–	347,950	1,347	910
– One year or less	–	–	–	347,950	1,347	910
Equity and commodity related contracts:	1,645,753	55,470	74,386	1,519,073	22,633	36,508
– One year or less	1,570,386	47,256	66,123	1,434,391	17,412	31,434
– Over one year to three years	75,367	8,214	8,263	14,350	410	263
– Over three years	–	–	–	70,332	4,811	4,811
	89,120,522	821,373	792,281	103,636,301	1,291,190	1,247,821
Hedging derivatives						
Interest/Profit rate related contracts:						
Interest/Profit rate swaps:						
Cash flow hedge	–	–	–	115,000	–	1,654
– One year or less	–	–	–	115,000	–	1,654
Fair value hedge	350,000	–	11,282	350,000	–	20,334
– Over one year to three years	350,000	–	11,282	–	–	–
– Over three years	–	–	–	350,000	–	20,334
Total	89,470,522	821,373	803,563	104,101,301	1,291,190	1,269,809

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9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest/profit 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/profit rate contracts used are interest/profit rate futures and interest/profit rate swaps. An interest/profit rate futures contract is an exchange traded contract whose value is based on the difference between a specific interest/profit rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest/Profit rate swap transactions generally involve the exchange of fixed and floating interest/profit 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/profit 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/profit rate and foreign exchange rate factors, the Group uses them to reduce the overall interest/profit 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.

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

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

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

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

(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.

As at 31 March 2022, all underlying hedged cash flows had been fully recognised in the profit or loss. As at 31 March 2021, all underlying hedged cash flows were 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.

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. No ineffectiveness amount recognised by the Group in profit or loss during the current and previous financial year in respect of cash flow hedges.

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 RM8,724,000 (2021: fair value loss of RM9,130,000).

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
2022					
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	–	–	–	–	–
Average fixed interest rate	–	–	–	–	–

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%	–	–

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
2022				
Fair value hedge				
Profit rate risk				
– Profit rate swaps	350,000	–	(11,282)	9,052
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	–	–	–	1,654

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

(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	2022 RM'000	2021 RM'000
Balance at beginning of the financial year	(16,949)	(28,155)
Interest rate risk:		
– effective portion of changes in fair value of interest rate swaps	1,654	5,615
– amortisation of fair value changes for terminated hedge	8,724	9,130
– tax effect	(2,491)	(3,539)
Balance at end of the financial year	(9,062)	(16,949)

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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
2022								
Fair value hedge								
Profit rate risk								
– Unquoted sukuk	357,424	–	11,358	–	Financial investments at FVOCI	(9,087)	–	–
Cash flow hedge								
Interest rate risk								
– Deposits	–	–	–	–	–	(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
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)	–

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	Amount reclassified from reserves to profit or loss as: Hedged item affecting profit or loss RM'000	Amount reclassified from reserves to profit or loss as: Profit or loss line item that includes reclassified amount RM'000
2022						
Fair value hedge						
Profit rate risk						
– Unquoted sukuk	(9,087)	(35)	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	1,654	–	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	Amount reclassified from reserves to profit or loss as: Hedged item affecting profit or loss RM'000	Amount reclassified from reserves to profit or loss as: 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	–	–	–

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10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	100,625	555,998	–	–
Malaysian Islamic Treasury Bills	1,313,273	2,544,432	–	–
Malaysian Government Securities	258,277	223,501	–	–
Malaysian Government Investment Issues	401,406	707,527	–	–
Cagamas bonds	99,460	84,891	–	–
	2,173,041	4,116,349	–	–
Quoted Securities:				
In Malaysia:				
Shares	643,145	541,084	–	–
Unit trusts	178,219	196,896	1,128	1,104
Corporate bonds and sukuk	13,315	37,538	–	–
Outside Malaysia:				
Shares	481,104	542,202	–	–
	1,315,783	1,317,720	1,128	1,104
Unquoted Securities:				
In Malaysia:				
Shares	31	34	–	–
Corporate bonds and sukuk	3,727,705	4,127,871	–	–
	3,727,736	4,127,905	–	–
Total	7,216,560	9,561,974	1,128	1,104

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	Group 2022 RM'000	Group 2021 RM'000
At Fair Value			
Money Market Instruments:			
Malaysian Government Securities ("MGS")		3,099,232	3,360,666
Malaysian Government Investment Issues ("MGII")		4,356,026	3,777,222
Negotiable Instruments of Deposit		450,001	50,031
Islamic Negotiable Instruments of Deposit		579,298	399,386
Foreign Government Securities		13,619	74,044
		8,498,176	7,661,349
Unquoted Securities:			
In Malaysia:			
Shares	(i)	674,456	686,262
Corporate bonds and sukuk		9,573,069	9,391,913
Outside Malaysia:			
Shares	(i)	633	530
Corporate bonds and sukuk		10,423	46,144
		10,258,581	10,124,849
Total		18,756,757	17,786,198

The Group had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (2021: RM350.0 million). The (loss)/gain arising from the fair value hedge is as follows:

	Group 2022 RM'000	Group 2021 RM'000
Relating to hedged item	(9,087)	(6,177)
Relating to hedging instrument	9,052	6,354
	(35)	177

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 2022, the Group had recognised a total carrying amount of RM1.90 billion (RM1.85 billion in nominal value) (2021: RM1.95 billion (RM1.85 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	Total RM'000
2022				
Balance at beginning of the financial year		11,224	6,847	18,071
Net (writeback of)/allowances for ECL	38	(732)	2,995	2,263
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(893)	3,602	2,709
– New financial assets originated		4,809	–	4,809
– Financial assets derecognised		(4,010)	(607)	(4,617)
– Net remeasurement of allowances		(638)	–	(638)
Foreign exchange differences		2	–	2
Balance at end of the financial year		10,494	9,842	20,336

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
– 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 RM730,000 mainly due to derecognition of financial assets, transfer to lifetime ECL not credit impaired (Stage 2) and net remeasurement of allowances; partially offset by ECL for new financial assets originated.
- Lifetime ECL not credit impaired (Stage 2) – increase of RM2,995,000 mainly due to transfer to lifetime ECL not credit impaired (Stage 2) partially offset by derecognition of financial assets.

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	2022		2021	
	Carrying value RM'000	Dividend income (Note 34) RM'000	Carrying value RM'000	Dividend income (Note 34) RM'000
Unquoted securities in Malaysia:				
Shares				
ABM Investments Sdn Bhd	1	–	1	34
Cagamas Holdings Berhad	406,878	2,413	408,303	2,413
Credit Guarantee Corporation Malaysia Bhd	89,834	–	86,519	–
Financial Park (Labuan) Sdn Bhd	82,185	1,000	82,013	600
Malaysia South-South Corporation Bhd	3,130	293	2,977	244
Malaysian Rating Corporation Berhad	2,769	160	2,444	160
Payments Network Malaysian Sdn Bhd	89,659	–	89,147	–
RAM Holdings Berhad	–	340	14,858	238
	674,456	4,206	686,262	3,689
Unquoted securities outside Malaysia:				
Shares				
S.W.I.F.T SCRL	633	–	530	–

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.

During the current financial year, the Group disposed its entire investment in RAM Holdings Berhad due to favourable offer received and to monetise the non-core investment. The net gain from the disposal of RM8.9 million are not recycled to profit or loss, was transferred from fair value reserve to retained earnings.

Other than as disclosed above, there have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the current and previous financial year.

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12. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group 2022 RM'000	Group 2021 (Restated) RM'000
At Amortised Cost		
Money Market Instruments:		
Malaysian Government Securities	907,429	-
Malaysian Government Investment Issues	2,261,515	402,577
	3,168,944	402,577
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	6,352,046	5,856,144
	9,520,990	6,258,721
Less: Allowances for ECL	(483,224)	(215,247)
Total	9,037,766	6,043,474

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
2022					
Balance at beginning of the financial year		3,916	211,331	–	215,247
Net allowances for/(writeback of) ECL	38	581	(211,331)	478,727	267,977
– Transfer to 12-month ECL (Stage 1)		591	(8,549)	–	(7,958)
– Transfer to Lifetime ECL credit impaired (Stage 3)		–	(10,788)	478,727	467,939
– New financial assets originated		385	–	–	385
– Net remeasurement of allowances		(379)	–	–	(379)
– Financial assets derecognised		(16)	–	–	(16)
– Changes in model assumptions and methodologies		–	(191,994)	–	(191,994)
Balance at end of the financial year		4,497	–	478,727	483,224

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

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	Total RM'000
2021 (Restated)				
Balance at beginning of the financial year				
– as previously stated		4,914	–	4,914
– reclassification from loans, advances and financing	13(i), 55	716	–	716
Balance at beginning of the financial year, as restated		5,630	–	5,630
Net (writeback of)/allowances for ECL	38	(1,714)	211,331	209,617
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(1,688)	8,549	6,861
– New financial assets originated		999	10,788	11,787
– Net remeasurement of allowances		387	–	387
– Financial assets derecognised		(180)	–	(180)
– Changes in model assumptions and methodologies		(1,232)	191,994	190,762
Balance at end of the financial year		3,916	211,331	215,247

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

The increase in allowances for ECL mainly contributed by impairment for corporate bond/sukuk that turned impaired during the financial year offset by reversal of forward-looking ("FL") ECL provided in previous financial year.

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13. LOANS, ADVANCES AND FINANCING

	Note	Group 2022 RM'000	Group 2021 (Restated) RM'000
At Amortised Cost:			
Loans, advances and financing:			
Term loans/financing		38,801,821	35,573,645
Revolving credit		11,370,620	10,902,951
Housing loans/financing		39,031,362	36,326,944
Hire purchase receivables		13,854,097	14,389,969
Card receivables		1,903,171	1,923,253
Overdrafts		3,222,656	3,342,952
Claims on customers under acceptance credits		6,485,259	5,762,288
Trust receipts		2,577,510	2,116,982
Bills receivables		2,473,103	1,948,440
Staff loans		106,105	107,912
Others		167,557	296,939
Gross loans, advances and financing		119,993,261	112,692,275
Less: Allowances for ECL:			
– Stage 1 – 12-month ECL	(i)	(217,884)	(431,800)
– Stage 2 – Lifetime ECL not credit impaired	(i)	(1,159,616)	(1,109,340)
– Stage 3 – Lifetime ECL credit impaired	(i)	(550,076)	(534,631)
		(1,927,576)	(2,075,771)
Net loans, advances and financing		118,065,685	110,616,504

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

	Group 2022 RM'000	Group 2021 (Restated) RM'000
Domestic non-bank financial institutions	3,133,599	2,054,636
Domestic business enterprises:		
– Small and medium enterprises	24,919,016	22,818,626
– Others	25,613,034	25,112,117
Government and statutory bodies	163,603	347,837
Individuals	64,535,980	61,019,803
Other domestic entities	7,647	9,363
Foreign individuals and entities	1,620,382	1,329,893
	119,993,261	112,692,275

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

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
In Malaysia	119,099,088	112,033,617
Outside Malaysia	894,173	658,658
	119,993,261	112,692,275

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
Fixed rate:		
– Housing loans/financing	314,482	296,835
– Hire purchase receivables	13,355,884	13,803,709
– Other loans/financing	10,907,556	10,025,216
Variable rate:		
– Base rate and lending/financing rate plus	65,265,205	61,398,823
– Cost plus	28,898,958	26,270,754
– Other variable rates	1,251,176	896,938
	119,993,261	112,692,275

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

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
Agriculture	2,374,086	2,563,492
Mining and quarrying	2,130,214	2,359,557
Manufacturing	15,902,661	14,647,484
Electricity, gas and water	1,182,630	1,216,489
Construction	4,352,593	4,716,911
Wholesale and retail trade and hotels and restaurants	10,534,493	8,961,747
Transport, storage and communication	4,842,904	3,459,570
Finance and insurance	3,266,845	2,246,635
Real estate	6,616,194	7,429,403
Business activities	2,258,944	2,427,283
Education and health	1,409,736	1,022,470
Household of which:	65,096,931	61,615,459
– Purchase of residential properties	39,390,816	36,627,886
– Purchase of transport vehicles	12,575,408	13,076,102
– Others	13,130,707	11,911,471
Others	25,030	25,775
	119,993,261	112,692,275

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
Maturing within one year	30,390,452	28,972,749
Over one year to three years	6,830,043	6,555,743
Over three years to five years	11,611,293	10,552,185
Over five years	71,161,473	66,611,598
	119,993,261	112,692,275

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

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

	Group	
	2022 RM'000	**2021 RM'000**
Balance at beginning of the financial year	1,770,320	1,852,633
Additions during the financial year	1,357,323	990,213
Reclassified as non-impaired	(205,843)	(146,545)
Recoveries	(542,645)	(468,049)
Amount written off	(702,792)	(454,469)
Foreign exchange differences	(319)	(3,463)
Balance at end of the financial year	1,676,044	1,770,320
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.40%	1.57%
Loan loss coverage (including regulatory reserve)	139.24%	124.06%

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

	Group	
	2022 RM'000	**2021 RM'000**
In Malaysia	1,666,873	1,739,359
Outside Malaysia	9,171	30,961
	1,676,044	1,770,320

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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

	Group 2022 RM'000	Group 2021 RM'000
Agriculture	8,834	79,621
Mining and quarrying	175,741	37,955
Manufacturing	226,687	194,000
Electricity, gas and water	4,639	3,521
Construction	112,676	92,315
Wholesale and retail trade and hotels and restaurants	170,049	202,228
Transport, storage and communication	18,518	59,268
Finance and insurance	1,494	1,325
Real estate	188,167	312,785
Business activities	37,595	41,736
Education and health	6,218	6,548
Household of which:	725,426	739,018
– Purchase of residential properties	540,323	530,993
– Purchase of transport vehicles	80,127	67,717
– Others	104,976	140,308
	1,676,044	1,770,320

(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
2022					
Balance at beginning of the financial year		431,800	1,109,340	534,631	2,075,771
Net (writeback of)/allowances for ECL	37	(214,035)	50,259	718,339	554,563
– Transfer to 12-month ECL (Stage 1)		10,638	(116,234)	(4,209)	(109,805)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(20,546)	165,613	(24,785)	120,282
– Transfer to Lifetime ECL credit impaired (Stage 3)		(1,304)	(37,541)	99,054	60,209
– New financial assets originated		56,300	71,735	5,707	133,742
– Net remeasurement of allowances		(55,790)	24,165	741,532	709,907
– Modification of contractual cash flows of financial assets		(1,750)	4,847	83	3,180
– Financial assets derecognised		(39,585)	(72,934)	(99,043)	(211,562)
– Changes in model assumptions and methodologies		(161,998)	10,608	–	(151,390)
Foreign exchange differences		119	17	(102)	34
Amount written off		–	–	(702,792)	(702,792)
Balance at end of the financial year		217,884	1,159,616	550,076	1,927,576

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 (Restated)					
Balance at beginning of the financial year					
– as previously stated		283,434	539,633	444,613	1,267,680
– reclassification to financial investments at amortised cost	12	(716)	–	–	(716)
Balance at beginning of the financial year, as restated		282,718	539,633	444,613	1,266,964
Net allowances for ECL	37	149,267	569,804	545,778	1,264,849
– 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		64,081	160,462	11,381	235,924
– Net remeasurement of allowances		44,402	181,040	458,735	684,177
– 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	150,432	(336)	251,250
Foreign exchange differences		(185)	(97)	(1,291)	(1,573)
Amount written off		–	–	(454,469)	(454,469)
Balance at end of the financial year		431,800	1,109,340	534,631	2,075,771

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

(a) 12-month ECL (Stage 1) – decrease of RM213,916,000 mainly due to the impacts from the changes in model assumptions and methodologies, net remeasurement of allowances, financial assets derecognised and impact from migration to Stage 2; partially offset by newly originated loans, advances and financing.

(b) Lifetime ECL not credit impaired (Stage 2) – increase of RM50,276,000 mainly due to the impact of migration to Stage 2, newly originated loans, advances and financing, net remeasurement of allowances and impacts from the changes in model assumptions and methodologies; partially offset by loans, advances and financing derecognised.

(c) Lifetime ECL credit impaired (Stage 3) – increase of RM15,445,000 mainly due to the net remeasurement of allowances and migration of loans, advances and financing to Stage 3 due to deterioration in credit quality; partially offset by impacts from the derecognition and written off of loans, advances and financing.

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	
	2022 RM'000	2021 RM'000
Deferred tax assets	218,551	134,350
Deferred tax liabilities	(8,093)	(19,669)
	210,458	114,681

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

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets	337,691	304,910
Deferred tax liabilities	(127,233)	(190,229)
	210,458	114,681

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
2022				
Cash flow hedge reserve	5,352	–	(2,491)	2,861
Provision for commitments and contingencies	859	(7)	–	852
Provision for expenses	95,860	30,910	–	126,770
Allowances for ECL	142,340	76	–	142,416
Fair value reserve	–	–	31,597	31,597
Other temporary differences	60,499	(27,304)	–	33,195
	304,910	3,675	29,106	337,691

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
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	12,351	129,989	–	142,340
Other temporary differences	28,595	31,904	–	60,499
	160,448	148,001	(3,539)	304,910

Deferred tax liabilities

Group	Balance at beginning of the financial year RM'000	Conversion of RCCPS 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
2022					
Excess of capital allowance over depreciation and amortisation	40,688	–	(3,865)	–	36,823
Deferred charges	46,235	–	(561)	–	45,674
Intangible assets	32,698	–	(3,469)	–	29,229
Redeemable cumulative convertible preference share ("RCCPS")	12,537	(11,944)	(593)	–	–
Fair value reserve	51,999	–	(10,280)	(32,029)	9,690
Other temporary differences	6,072	–	17	(272)	5,817
	190,229	(11,944)	(18,751)	(32,301)	127,233

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

As at 31 March 2022, there is unabsorbed capital allowances which amounted to RM451,081,000 (2021: RM450,616,000) that is available for offset against future taxable profit of leasing business from four (2021: two) of its subsidiaries. The non-recognition of deferred tax asset arose from unabsorbed capital allowances is due to the uncertainty in timing of its recoverability. The recognition of deferred tax asset arose from unutilised tax losses is as disclosed in Note 5.4.

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16. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

	Note	Company 2022 RM'000	Company 2021 RM'000
At cost			
Unquoted shares in Malaysia			
Balance at the beginning of the financial year		10,663,557	9,883,557
Dissolution of a subsidiary	16(a)(3)(ii)	(75)	–
Subscription of new ordinary shares	16(a)(3)(i), 16(a)(4)(i)	450,000	780,000
		11,113,482	10,663,557
Less: Impairment		(256,132)	(256,132)
Balance at the end of the financial year		10,857,350	10,407,425

(1) Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Effective equity interest 2022 %	Effective equity interest 2021 %
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[9]	Dormant	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd[7]	Dormant	–	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[1]	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[11]	Dormant	100.00	100.00
MBf Trustees Berhad[10]	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 2022 %	2021 %
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[11]	Dormant	81.51	81.51
AmPremier Capital Berhad ("AmPremier")[8]	Dormant	–	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AMFB Holdings Berhad ("AMFB")[4]	Dormant	–	100.00
AMSEC Holdings Sdn Bhd[2]	Dormant	–	100.00
AmInvestment Management Sdn Bhd ("AIM")[5]	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")[5]	Dormant	80.00	80.00
AmFutures Sdn Bhd ("AmFutures")[6]	Dormant	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")[5]	Dormant	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")[5]	Dormant	100.00	100.00
Komuda Credit & Leasing Sdn Bhd[3]	Dormant	100.00	100.00

The above subsidiaries are incorporated in Malaysia.

1 Subsidiary audited by a firm other than Ernst & Young PLT, Malaysia.
2 Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013 and was dissolved on 16 November 2021.
3 Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.
4 Subsidiary commenced Members' Voluntary Liquidation on 23 December 2016 and was dissolved on 1 March 2022.
5 Subsidiaries commenced Members' Voluntary Liquidation on 23 December 2016.
6 Subsidiary commenced Members' Voluntary Liquidation on 27 March 2018.
7 Subsidiary commenced Members' Voluntary Liquidation on 30 January 2019 and dissolved on 13 November 2021.
8 Subsidiary commenced Members' Voluntary Liquidation on 25 October 2019 and dissolved on 1 March 2022.
9 Subsidiary commenced Members' Voluntary Liquidation on 22 May 2020.
10 Subsidiary commenced Members' Voluntary Liquidation on 17 September 2020.
11 Subsidiary commenced Members' Voluntary Liquidation on 31 March 2021.

(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.

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

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

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

(i) On 31 May 2021, the Company subscribed for the issuance of 46,680,498 new shares ordinary shares by AmBank at an issue price of RM9.64 per ordinary share which amounted to RM450.0 million.

(ii) Dissolution of subsidiaries

Subsidiaries	Commencement Date of Members' Voluntary Winding-up	Dissolution date
AMSEC Holdings Sdn Bhd	6 August 2013	16 November 2021
AMFB Holdings Berhad ("AMFB")	23 December 2016	1 March 2022
AMMB Nominees (Asing) Sdn Bhd	30 January 2019	13 November 2021
AmPremier Capital Berhad ("AmPremier")	25 October 2019	1 March 2022

(iii) Conversion of Redeemable Cumulative Convertible Preference Shares ("RCCPS")

In January 2022, AmGeneral Holdings Berhad converted its RCCPS amounted to RM691.9 million.

(4) Transactions in the previous 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

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 in previous 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 did not have any material effect on the Group's earnings and net assets for the previous 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.

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	
	2022 RM'000	**2021 RM'000**
NCI percentage of ownership interest and voting interest	49%	49%
Net carrying amount of NCI at beginning of the financial year	948,700	978,382
Share of net results	91,855	113,926
Share of other comprehensive income	(422)	452
Subscription of shares arising from conversion of redeemable cumulative convertible preference shares	256,164	–
Return of capital	–	(49,000)
	1,296,297	1,043,760
Dividends paid	(98,000)	(95,060)
Net carrying amount of NCI at end of the financial year	1,198,297	948,700
Total Assets	5,517,444	5,298,535
Total Liabilities	(3,072,850)	(3,363,322)
Net assets	2,444,594	1,935,213
Equity attributable to Owners of the Company	1,246,297	986,513
NCI	1,198,297	948,700

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 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	
	2022 RM'000	2021 RM'000
Operating revenue	1,423,729	1,558,713
Profit for the financial year	187,459	232,501
Attributable to:		
Equity holders of the Company	95,604	118,575
NCI	91,855	113,926
Total comprehensive income	186,598	233,424
Attributable to:		
Equity holders of the Company	95,165	119,046
NCI	91,433	114,378
Dividend paid to NCI	(98,000)	(95,060)

(iii) Summarised statement of cash flows

	AMGH Group	
	2022 RM'000	2021 RM'000
Operating activities	262,780	207,994
Investing activities	(10,035)	(14,435)
Financing activities	(212,956)	(233,490)
Net increase/(decrease) in cash and cash equivalents for the financial year	39,789	(39,931)

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

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

Name of fund	Principal activities	Effective equity interest 2022 %	2021 %
In Malaysia			
Unquoted unit trusts			
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 2022 RM'000	Group 2021 RM'000
Unquoted shares:		
At cost at the beginning/end of the financial year	669,169	669,169
Share of post acquisition reserves	87,817	67,587
	756,986	736,756
Less: Impairment loss	(152,444)	(147,819)
	604,542	588,937

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM512,250,000 (2021: RM476,843,000) are included in the total carrying amount of investment in associates and joint ventures. As at 31 March 2022, the carrying amount of the Group's material joint venture, AmMetLife Insurance Berhad, amounted to approximately RM479,036,000 (2021: RM443,651,000).

During the current financial year, the Group recognised impairment loss in investment in an associate of RM4,625,000 for Bonuskad (2021: RM147,819,000 for AmFirst REIT).

The investment are reviewed for impairment annually and when there are indications of impairment. The recoverable amount used in the impairment assessment is based on value-in-use ("VIU") calculations.

In the current financial year, the VIU for Bonuskad uses pre-tax cash flows projection based on financial budget approved by the Board of Directors of the associate for 31 December 2022. The estimated cash flows projection beyond the period covered by the financial budgets are estimated using a growth rate and terminal growth rate of 3.00%. The discount rate applied is 10.00% which is based on the Group's estimated return of its investment in the associate.

In the previous financial year, the VIU for AmFirst REIT uses pre-tax cash flow projections based on financial budgets approved by the Board of Directors of AmFirst REIT 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% based on the average distribution yield for Malaysian Real Estate Investment Trusts of the date of assessment.

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 2022 %	Effective equity interest 2021 %
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 2021 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% (2021: 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 2022				
Revenue	99,647	692,620	21,545	193,497
Profit/(Loss) after tax from continuing operations	5,639	76,063	(2,123)	5,888
Other comprehensive loss	–	(5,293)	–	(3,218)
Total comprehensive income/(loss)	5,639	70,770	(2,123)	2,670
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

	2022		2021	
	AmFirst REIT[2] RM'000	AmMetLife Insurance RM'000	AmFirst REIT[2] RM'000	AmMetLife Insurance RM'000
Total assets[1]	1,661,569	4,411,503	1,673,720	4,281,405
Total liabilities	(849,527)	(3,455,708)	(850,088)	(3,394,100)
Net assets	812,042	955,795	823,632	887,305

[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 2022 is approximately RM69,726,000 (2021: RM78,014,000).

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

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

	AmFirst REIT 2022 RM'000	AmMetLife Insurance 2022 RM'000	AmFirst REIT 2021 RM'000	AmMetLife Insurance 2021 RM'000
Interest income	42	155,171	64	147,360
Interest expense	(26,789)	–	(28,983)	–
Depreciation of property and equipment	–	(2,980)	–	(3,583)
Depreciation of right–of–use assets	(221)	–	(277)	–
Amortisation of intangible assets	–	(11,905)	–	(10,444)
Taxation	(833)	(29,204)	352	(27,916)

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

	AmFirst REIT 2022 RM'000	AmMetLife Insurance 2022 RM'000	AmFirst REIT 2021 RM'000	AmMetLife Insurance 2021 RM'000
Cash and cash equivalents	5,431	251,839	4,730	340,555
Current financial liabilities (excluding trade, other payables and provisions)	(118,719)	(4,895)	(118,383)	(7,619)
Non-current financial liabilities (excluding trade, other payables and provisions)	(697,550)	(23,105)	(697,416)	(21,033)

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

	AmFirst REIT 2022 RM'000	AmMetLife Insurance 2022 RM'000	AmFirst REIT 2021 RM'000	AmMetLife Insurance 2021 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	72,355	443,651	224,231	401,214
Share of net results for the financial year	5,137	38,031	1,246	41,654
Share of other comprehensive income for the financial year	–	(2,647)	–	783
Impairment of investment in associate	–	–	(147,819)	–
Dividend/Distribution received	(4,606)	–	(5,303)	–
Carrying amount at the end of the financial year	72,886	479,035	72,355	443,651

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 MFRS 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 2022 and 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 2021 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2022 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
2022					
Assets					
Investments					
Loans and receivables ("LAR")	332,123	(121,056)	211,067	SPPI	Amortised cost
Available-for-sale ("AFS") securities	1,306,541	17,554	1,324,095		
– Quoted equities	58,550	(3,053)	55,497	Non-SPPI	FVTPL
– Unquoted equities	2,147	-	2,147	Non-SPPI	FVTPL
– Malaysian Government Securities	147,357	(15,325)	132,032	SPPI	FVOCI
– Unquoted corporate bonds	1,090,321	38,330	1,128,651	SPPI	FVOCI
– Quoted unit and property trust funds	8,166	(2,398)	5,768	Non-SPPI	FVTPL
Fair value through profit or loss ("FVTPL"):	1,614,009	173,741	1,787,750		
– Quoted equities	76,350	4,642	80,992	Non-SPPI	FVTPL
– Malaysian Government Securities	116,481	70,611	187,092	SPPI	FVOCI
– Unquoted corporate bonds	1,379,217	87,503	1,466,720	SPPI	FVOCI
– Quoted unit and property trust funds	3,048	(1,318)	1,730	Non-SPPI	FVTPL
– Unquoted unit and property trust funds	38,913	12,303	51,216	Non-SPPI	FVTPL
Other receivables	29,243	5,293	34,536	SPPI	Amortised cost
Cash and bank balances	74,518	4,853	79,371	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 2022, 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 the Group's share of the fair value of classes of financial assets as at 31 March 2022 and 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 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 the Group's share of the fair value of classes of financial assets as at 31 March 2022 and 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 2021 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2022 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
2022					
Assets					
Loans and receivables ("LAR")	54,250	12,845	67,095	SPPI/SPPP	Amortised cost
– Quoted Shariah approved equities	24,133	(647)	23,486	Non-SPPI/SPPP	FVTPL
– Unit and property trust funds	19,459	58	19,517	Non-SPPI/SPPP	FVTPL
– Malaysian Government guaranteed financing	40,017	6,375	46,392	SPPI/SPPP	FVOCI
– Malaysian Government guaranteed financing	1,187	978	2,165	Non-SPPI/SPPP	FVTPL
– Islamic private debt securities	194,301	87,704	282,005	SPPI/SPPP	FVOCI
– Islamic private debt securities	16,925	(53)	16,872	Non-SPPI/SPPP	FVTPL
– Accrued interest	3,674	748	4,422	SPPI/SPPP	Amortised cost
– Other receivables	314	28	342	SPPI/SPPP	Amortised cost
Cash and bank balances	75,535	(16,246)	59,289	SPPI/SPPP	Amortised cost

	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

* 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.

As at 31 March 2022 and 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) (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
2022							
Investments:							
LAR:							
Deposit with licensed banks	77,456	66,189	–	–	–	2,495	146,140
Loans							
Policy loans	–	–	–	–	64,730	–	64,730
Mortgage loans	–	–	–	–	197	–	197
AFS:							
Malaysian Government Securities	–	–	–	132,032	–	–	132,032
Corporate bonds	388,450	79,366	–	660,835	–	–	1,128,651
FVTPL:							
Malaysian Government Securities	–	–	–	186,098	–	994	187,092
Corporate bonds	240,454	114,298	–	1,070,245	–	41,723	1,466,720
Other receivables*	6,925	2,400	–	18,837	5,424	950	34,536
Cash and bank balances	41,224	12,234	–	–	2	25,911	79,371
	754,509	274,487	–	2,068,047	70,353	72,073	3,239,469

	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

As at 31 March 2022 and 31 March 2021, all SPPI assets meet the characteristics of low credit risk financial instruments.

* excluding prepayment and tax recoverable

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– 31 March 2022

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

(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
2022				
Investments:				
Financial assets at FVTPL:				
Malaysian Government Securities	295	–	–	295
Unquoted securities in Malaysia:				
Secured Islamic corporate debt securities	1,870	–	–	1,870
Unsecured Islamic corporate debt securities	–	7,538	–	7,538
AFS securities:				
Malaysian Government Securities	13,917	–	–	13,917
Unquoted securities in Malaysia:				
Secured Islamic corporate debt securities	32,475	–	–	32,475
Unsecured Islamic corporate debt securities	–	291,339	–	291,339
LAR:				
Islamic investment accounts with licensed Islamic banks	–	67,095	–	67,095
Accrued interest and other receivables (excluding prepayments and tax recoverable)	488	3,858	418	4,764
Cash and bank balances	–	59,261	28	59,289
	49,045	429,091	446	478,582

	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

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

As at 31 March 2022 and 31 March 2021, all SPPI assets meet the characteristics of low credit risk financial instruments.

18. OTHER ASSETS

	Note	Group 2022 RM'000	Group 2021 (Restated) RM'000	Company 2022 RM'000	Company 2021 RM'000
Trade receivables	(a)	432,591	550,395	–	–
Other receivables, deposits and prepayments	(b)	954,512	758,423	11,615	1,833,358
Interest/Profit receivable		456,844	391,685	–	–
Fee receivable		18,229	19,527	–	–
Amount due from agents, brokers and reinsurers		412,153	55,689	–	–
Foreclosed properties		2,634	2,615	–	–
Tax recoverable		168,371	128,289	–	–
Collateral pledged for derivative and securities transactions		446,809	552,339	–	–
		2,892,143	2,458,962	11,615	1,833,358
Less: Accumulated impairment losses	(c)	(6,824)	(6,761)	–	–
		2,885,319	2,452,201	11,615	1,833,358

(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:

	Note	Group 2022 RM'000	Group 2021 RM'000
Balance at beginning of financial year		6,604	8,152
Allowances for/(Writeback of) impairment, net	38	655	(1,382)
Amount written off		(607)	(180)
Foreign exchange differences		15	14
Balance at end of the financial year		6,667	6,604

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 RM1,887,000 (2021: RM1,816,000).

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

	Group 2022 RM'000	Group 2021 RM'000
Balance at beginning/end of the financial year	157	157

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19. PROPERTY AND EQUIPMENT

Group	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
2022										
Cost										
At beginning of the financial year	8,897	7,977	321	53,498	8,551	235,849	697,494	213,361	7,473	1,233,421
Additions	–	–	–	–	346	2,698	15,216	3,202	3,963	25,425
Disposals	–	–	–	–	(923)	–	(3,373)	(932)	–	(5,228)
Written off	–	–	–	–	–	(737)	(2,055)	(3,518)	–	(6,310)
Reclassification/adjustments	–	–	–	–	–	856	8,970	72	(10,887)	(989)
Transfer from intangible assets (Note 21(b))	–	–	–	–	–	–	–	–	3,837	3,837
Foreign exchange differences	–	–	–	–	2	–	5	25	–	32
At end of the financial year	8,897	7,977	321	53,498	7,976	238,666	716,257	212,210	4,386	1,250,188
Accumulated depreciation										
At beginning of the financial year	–	3,264	254	24,930	6,239	210,615	579,476	191,576	–	1,016,354
Depreciation for the financial year (Note 35)	–	149	8	1,054	398	10,864	42,938	7,490	–	62,901
Disposals	–	–	–	–	(646)	–	(3,372)	(927)	–	(4,945)
Written off	–	–	–	–	–	(736)	(2,036)	(3,483)	–	(6,255)
Reclassification/adjustments	–	–	–	–	–	–	2	(2)	–	–
Foreign exchange differences	–	–	–	–	2	–	5	25	–	32
At end of the financial year	–	3,413	262	25,984	5,993	220,743	617,013	194,679	–	1,068,087
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	8,897	4,310	59	26,635	1,983	17,923	99,244	17,531	4,386	180,968

19. PROPERTY AND EQUIPMENT (CONT'D.)

Group	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
2021										
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(b))	–	–	–	–	–	–	–	–	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.)

Company	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
2022				
Cost				
At beginning of the financial year	4	758	18	780
Accumulated depreciation				
At beginning of the financial year	4	758	17	779
Depreciation for the financial year (Note 35)	–	–	1	1
At end of the financial year	4	758	18	780
Carrying amount				
At end of the financial year	–	–	–	–

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

20. RIGHT-OF-USE ASSETS

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2022			
Cost			
At beginning of the financial year	422,414	8,858	431,272
Additions	11,580	–	11,580
Remeasurements	(13,647)	–	(13,647)
Termination	(1,901)	–	(1,901)
Derecognition of expired leases	(791)	–	(791)
At end of the financial year	417,655	8,858	426,513
Accumulated depreciation			
At beginning of the financial year	156,902	3,617	160,519
Depreciation for the financial year (Note 35)	75,695	2,189	77,884
Termination	(471)	–	(471)
Derecognition of expired leases	(791)	–	(791)
At end of the financial year	231,335	5,806	237,141
Carrying amount			
At end of the financial year	186,320	3,052	189,372
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

The carrying amount of right-of-use assets includes estimated cost for reinstatement amounting to RM4,841,000 (2021: RM4,846,000).

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

The Group has entered into commercial leases for premises and computer equipment, all of which do not contain any variable payment terms or residual payment guarantees. The Group is not subjected to any covenants or restrictions by entering into the leases.

The leases are typically made for fixed period of three years, but some of the leases for premises may have extension options of between three to twelve years. These options, which are exercisable only by the Group and not by the respective lessor, are negotiated by management to provide operational flexibility in managing the assets used in the operations of the Group. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (refer to Note 5.2). For most of the leases of premises, the periods covered by the extension options are included as part of the lease terms due to the significance of these assets to the Group. As such, substantially all of the future cash outflows that the Group is exposed to in connection with the leases have been reflected in the measurement of lease liabilities.

21. INTANGIBLE ASSETS

	Note	Group 2022 RM'000	Group 2021 RM'000
Goodwill	(a)	1,020,562	1,020,562
Other intangibles:			
Brand	(b)	94,440	94,440
Agent relationship	(b)	22,185	26,218
Computer software	(b)	215,288	257,123
Work-in-progress ("WIP") for computer software	(b)	47,437	45,604
		379,350	423,385
		1,399,912	1,443,947

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 2022 with premium growth rate of 2.1% to 5.0% (2021: -2.6% to 5.8%) over the next 5 years and terminal growth rate of 3.0% (2021: 3.0%). The discount rate applied is 8.2% (2021: 10.8%) 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.

21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

	Group	
	2022 RM'000	**2021 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	(1,790,475)	(1,322)
Impairment for the financial year	–	(1,789,153)
Balance at end of the financial year	(1,790,475)	(1,790,475)
Carrying amount		
Balance at end of the financial year	1,020,562	1,020,562

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	
	2022 RM'000	**2021 RM'000**
Investment banking	4,227	4,227
Asset and fund management	116,128	116,128
Commercial and retail:		
– Conventional banking	129,655	129,655
– Islamic banking	53,482	53,482
General insurance	717,070	717,070
	1,020,562	1,020,562

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 (2021: three-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 5.0% (2021: 5.0%) based on long-term inflation forecast and expectations of market opportunities. The discount rate applied ranged from 9.81% to 11.02% (2021: 9.00% to 10.13%).

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21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

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 2.7% to 5.0% (2021: -2.6% to 5.8%) 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% (2021: 3.0%). The discount rate applied is 9.2% (2021: 11.8%).

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, no impairment is recognised by the Group. In the previous financial 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
2022								
Cost								
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,256,546	45,604	1,573,618
Additions	–	–	–	–	–	20,748	54,261	75,009
Written off	–	–	–	–	–	(176)	–	(176)
Reclassification/adjustments	–	–	–	–	–	40,718	(48,591)	(7,873)
Transfer to property and equipment (Note 19)	–	–	–	–	–	–	(3,837)	(3,837)
Foreign exchange differences	–	–	–	–	–	2	–	2
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,317,838	47,437	1,636,743
Accumulated amortisation								
At beginning of the financial year	–	53,538	25,000	34,272	38,000	999,423	–	1,150,233
Amortisation (Note 35)	–	–	–	4,033	–	103,162	–	107,195
Written off	–	–	–	–	–	(171)	–	(171)
Reclassification/adjustments	–	–	–	–	–	134	–	134
Foreign exchange differences	–	–	–	–	–	2	–	2
At end of the financial year	–	53,538	25,000	38,305	38,000	1,102,550	–	1,257,393
Carrying amount								
At end of the financial year	94,440	–	–	22,185	–	215,288	47,437	379,350

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
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

22. DEPOSITS FROM CUSTOMERS

	Group	
	2022 RM'000	**2021 RM'000**
Demand deposits	33,709,677	28,095,907
Savings deposits	9,397,684	7,662,383
Term/Investment deposits	79,485,489	84,784,896
	122,592,850	120,543,186

Included in deposits from customers of the Group are deposits of RM2,198.1 million (2021: RM2,031.4 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	
	2022 RM'000	2021 RM'000
Due within six months	62,120,020	70,498,403
Six months to one year	15,645,790	12,822,494
Over one year to three years	1,540,070	1,361,269
Over three years to five years	179,609	102,730
	79,485,489	84,784,896

The deposits are sourced from the following types of customers:

	Group	
	2022 RM'000	2021 RM'000
Government and statutory bodies	4,730,100	5,574,666
Business enterprises	61,314,620	65,674,964
Individuals	45,921,495	40,855,153
Others	10,626,635	8,438,403
	122,592,850	120,543,186

23. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

		Group	
	Note	2022 RM'000	2021 RM'000
Licensed banks		5,571,352	6,065,550
Licensed investment banks		651,726	550,534
Bank Negara Malaysia	(a)	1,270,123	1,046,960
Other financial institutions		2,401,384	2,257,843
		9,894,585	9,920,887

(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 RM1,100,590,000 (2021: 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) to eight and half year (8.5) maturities (2021: six-year (6) to 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, 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

		Group	
	Note	2022 RM'000	2021 RM'000
Senior Notes/Sukuk	(a)	1,200,000	1,000,000
Credit-Linked Notes	(b)	–	147,691
Other borrowings (net of unamortised issuance expenses of RM1,044,000; 2021: RM1,059,000)	(c)	680,097	602,179
		1,880,097	1,749,870

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

		Group	
	Note	2022 RM'000	2021 RM'000
Senior Notes Programme	(i)	400,000	–
Senior Sukuk Programme	(ii)	800,000	1,000,000
		1,200,000	1,000,000

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

	Group	
	2022 RM'000	2021 RM'000
Balance at beginning of the financial year	–	700,000
Issuance during the financial year	400,000	–
Redemption during the financial year	–	(700,000)
Balance at end of the financial year	400,000	–

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.

25. TERM FUNDING (CONT'D.)

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

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

Group (cont'd.)

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. Tranche 7 which amounted to RM700.0 million in nominal value was issued on 26 June 2018 with a tenure of 2 years. The interest rate of this tranche is 4.50% per annum, payable semi-annually. This tranche was fully redeemed on maturity date of 26 June 2020.

The salient features of Senior Notes issued and outstanding are as follows:

– Tranche 8 – Series 1 which amounted to RM150.0 million in nominal value was issued on 30 December 2021 with a tenure of 1.5 years and interest rate of 2.94% per annum, payable semi-annually.

– Tranche 8 – Series 2 which amounted to RM250.0 million in nominal value was issued on 30 December 2021 with tenure of 2 years and interest rate of 3.14% per annum, payable semi-annually.

As at 31 March 2022, RAM Rating has assigned a long-term rating of AA3/Stable to the SNP.

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

	Group	
	2022 RM'000	**2021 RM'000**
Balance at beginning of the financial year	1,000,000	1,000,000
Redemption during the financial year	(200,000)	–
Balance at end of the financial year	800,000	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 2022, the Senior Sukuk was assigned a rating of AA3/Stable by RAM.

The salient features of Senior Sukuk issued and outstanding are as follows:

– 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 tenure of 2 years and Tranche 6 has a tenure of 5 years. Tranche 5 was fully redeemed on 25 March 2022.

25. TERM FUNDING (CONT'D.)

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

	Group	
	2022 RM'000	**2021 RM'000**
Balance at beginning of the financial year	147,691	142,989
Repayment	(150,000)	–
Amortisation of premium	2,309	4,702
Balance at end of the financial year	–	147,691

The CLN are structured investment products issued by AmBank and subscribed at nominal value. The nominal value of CLN issued amounted to RM150.0 million (2021: RM150.0 million). The CLNs carry a fixed interest rate at 2.0% per annum (2021: 2.0% per annum) matured on 14 September 2021.

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

	Group	
	2022 RM'000	**2021 RM'000**
Balance at beginning of the financial year:		
Structured deposit	188,430	229,127
Term loan	413,749	429,623
Drawdown during the financial year		
Term loan	419,314	–
Net issuance/(repayment) during the financial year		
Structured deposit	72,795	(40,766)
Term loan	(422,250)	–
Amortisation of:		
– premium for structured deposit	70	69
– issuance expenses for term loan	1,092	1,059
Foreign exchange differences	6,897	(16,933)
Balance at end of the financial year	680,097	602,179

Other borrowings comprise term loan and structured deposits:

(i) On 13 December 2019, AmBank drawdown 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. This term loan has been fully repaid in full upon maturity on 13 December 2021.

On 22 December 2021, AmBank drawdown a new term loan of USD100.0 million from Wells Fargo Bank, National Association for similar purpose. This term loan is for a period of two years and interest is charged at 3-month LIBOR + 0.55%, payable on quarterly basis.

25. TERM FUNDING (CONT'D.)

(c) Other borrowings comprise term loan and structured deposits: (cont'd.)

(ii) Structured deposits which amounted to RM261,295,000 (2021: RM188,430,000) are non-principal guaranteed deposits placed by the customers. The structured deposits will mature within 1 month to 3 years (2021: 1 month to 4 years) and are roll-overed on maturity date depending on customers' request. Structured deposits for operations of Islamic banking amounted to RM34,836,000 (2021: RM34,766,000).

26. DEBT CAPITAL

		Group	
	Note	2022 RM'000	2021 RM'000
Subordinated Notes and Sukuk	(a)	4,395,000	4,295,000

(a) Subordinated Notes and Sukuk

The outstanding Subordinated Notes and Sukuk are as follows:

	Group	
	2022 RM'000	2021 RM'000
Balance at beginning of the financial year:		
Subordinated Sukuk	1,300,000	1,150,000
Subordinated Notes	2,995,000	2,595,000
Issuance during the financial year:		
Subordinated Sukuk	250,000	400,000
Subordinated Notes	600,000	400,000
Redemption during the financial year:		
Subordinated Sukuk	(250,000)	(250,000)
Subordinated Notes	(500,000)	–
Balance at end of the financial year	4,395,000	4,295,000

(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, except non-callable 5 years for Tranche 9. As at 31 March 2022, the Tier 2 Subordinated Sukuk have been assigned a credit rating of A1/Stable by RAM.

26. DEBT CAPITAL (CONT'D.)

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

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

The salient features of Subordinated Sukuk issued and outstanding are as follows:

- 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. This tranche was fully redeemed on 30 December 2021.
- 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. This tranche was fully redeemed on 15 March 2022.
- 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.
- Tranche 9 which amounted to RM250.0 million was issued on 8 March 2022. The profit rate of this tranche is 4.25% per annum, payable semi-annually.

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

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 2022 amounted to RM1,300,000,000 (2021: RM1,300,000,000).

(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 2022, 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. This tranche was fully redeemed on 15 March 2022.
- 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.
- Tranche 8 amounting to RM600.0 million was issued on 8 March 2022. The interest rate of this tranche is 4.30% per annum, payable semi-annually.

All the above tranches are for a tenure of 10 years (callable in 5th year).

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 2022 amounted to RM3,095,000,000 (2021: RM2,995,000,000).

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27. OTHER LIABILITIES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Trade payables	(a)	761,368	438,644	–	–
Other payables and accruals	(b)	1,543,486	1,307,554	17,537	42,134
Interest payable on deposits and borrowings		561,674	612,771	–	–
Lease deposits and advance rental		47,830	45,751	–	–
Provision for commitments and contingencies	(c)	3,546	10,239	–	–
Allowances for ECL on loan/financing commitments and financial guarantees	(d)	303,197	120,510	–	–
Lease liabilities	(e)	191,465	273,471	–	–
Provision for reinstatement of leased properties	(f)	9,706	8,989	–	–
Amount due to subsidiaries	(g)	–	–	–	283
Settlement payable	57	515,000	2,830,000	515,000	2,830,000
Provision for taxation		61,532	23,790	1,290	5
Collateral received for derivative and securities transactions		229,098	145,035	–	–
Deferred income		74,960	74,977	–	–
		4,302,862	5,891,731	533,827	2,872,422

(a) Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiary and represent contra gains owing to clients and amount payable in outstanding sales contracts.

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM17,395,000 (2021: RM18,350,000).

In the previous financial year, there was a writeback of provision in relation to indemnity given by AMAB Holdings Sdn Bhd to MetLife International Holdings, Inc on the mis-selling of certain insurance products of AmMetLife Insurance Berhad amounted to RM5,301,000. The said indemnity had expired in the previous financial year.

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 2022 RM'000	Group 2021 RM'000
Defined benefit obligation at beginning of the financial year		18,350	19,357
Acturial loss/(gain)	(ii)	1,133	(1,213)
Benefits paid		(1,901)	(1,469)
Service and interest costs	(iii)	(187)	1,675
Defined benefit obligation at end of the financial year		17,395	18,350
Present value of unfunded obligation		17,395	18,350
Recognised liability for defined benefit obligation		17,395	18,350

27. OTHER LIABILITIES (CONT'D.)

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

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

	Group	
	2022 RM'000	**2021 RM'000**
Amount accumulated in retained earnings at beginning of the financial year	4,269	3,347
Actuarial loss/(gain) arising from:		
(i) changes in financial and demographic assumptions	320	942
(ii) experience adjustments	(1,453)	271
Recognised during the financial year (Note i)	(1,133)	1,213
Tax effects thereon	272	(291)
Amount accumulated in retained earnings at end of the financial year	3,408	4,269

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

	Group	
	2022 RM'000	**2021 RM'000**
Service cost	(885)	885
Interest cost	698	790
	(187)	1,675

(iv) Actuarial assumptions

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

	Group	
	2022	**2021**
Discount rate (per annum)	4.33%	4.01%
Fixed deposit rate (per annum)	1.55%	1.55%
Withdrawal rates (per annum)	5.30%	4.90%

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 7.11 years (2021: 7.51 years).

27. OTHER LIABILITIES (CONT'D.)

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

(iv) Actuarial assumptions (cont'd.)

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	
	2022 RM'000	**2021 RM'000**
Discount rate:		
Increase 100 basis points	(941)	(1,053)
Decrease 100 basis points	1,030	1,160
Fixed deposit rate:		
Increase 100 basis points	1,231	1,370
Decrease 100 basis points	(1,137)	(1,257)
Withdrawal rate:		
10% increase in the withdrawal rate	(385)	(441)
10% decrease in the withdrawal rate	399	458

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

	Group	
	2022 RM'000	**2021 RM'000**
Balance at beginning of the financial year	10,239	28,014
Writeback during the financial year	(5,693)	(810)
Reversal of provision under impaired loans, advances and financing recovered*	(1,000)	(16,965)
Balance at end of the financial year	3,546	10,239

* During the current financial year, the Group had fully reversed the provision for estimated expenditure in respect of the Group's obligations to repurchase financing of RM1.0 million (2021: RM17.0 million) due to expiry of the repurchase obligation.

27. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on loan/financing 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
2022				
Balance at beginning of the financial year	30,429	37,348	52,733	120,510
Net (writeback of)/allowances for ECL	(1,516)	(11,011)	195,208	182,681
– Transfer to 12-month ECL (Stage 1)	778	(8,874)	–	(8,096)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,709)	7,344	–	5,635
– Transfer to Lifetime ECL credit impaired (Stage 3)	(59)	(478)	190,455	189,918
– New exposures originated	12,352	11,466	5,780	29,598
– Net remeasurement of allowances	(3,837)	(6,337)	(1,019)	(11,193)
– Exposures derecognised	(9,041)	(14,132)	(8)	(23,181)
Foreign exchange differences	13	(7)	–	6
Balance at the end of the financial year	28,926	26,330	247,941	303,197

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 for 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 exposure derecognised, net remeasurement of allowances, impacts on migration to Stage 2 due to deterioration of credit risk; partially offset by new exposures originated.

(b) Overall Lifetime ECL not credit impaired (Stage 2) decreased due to exposures derecognised, impacts on migration to Stage 1 and net remeasurement of allowances; partly offset by new exposures originated and transfer from 12-month ECL (Stage 1).

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

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27. OTHER LIABILITIES (CONT'D.)

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

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2022			
At beginning of the financial year	269,475	3,996	273,471
Additions	11,480	–	11,480
Remeasurements	(14,170)	–	(14,170)
Termination	(1,484)	–	(1,484)
Finance cost charged (Note 35)	7,739	76	7,815
Payment of lease liabilities*	(81,575)	(4,072)	(85,647)
At end of the financial year	191,465	–	191,465

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

* Inclusive of RM36,682,000 (2021: RM41,343,000) of payment of lease liabilities to related parties during the financial year.

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 (2021: RM2,000,000) for low-value assets and RM4,600,000 (2021: RM3,300,000) for leases with contract term of less than 12 months.

27. OTHER LIABILITIES (CONT'D.)

(e) Lease liabilities analysed by undiscounted contractual payments are as follows:

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2022			
Up to 1 month	5,524	–	5,524
>1 month to 3 months	11,028	–	11,028
>3 months to 6 months	13,436	–	13,436
>6 months to 12 months	18,400	–	18,400
>1 year to 5 years	104,097	–	104,097
Over 5 years	58,157	–	58,157
	210,642	–	210,642

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

(f) The movements for provision for reinstatement of leased properties are as follows:

	Group	
	2022 RM'000	2021 RM'000
At beginning of the financial year	8,989	10,927
Additions	627	280
Remeasurement	–	(318)
Reversal of provision	(17)	(2,041)
Finance cost charged (Note 35)	107	141
At end of the financial year	9,706	8,989

As at 31 March 2022, the Group has estimated that it is contingently liable to incur restoration costs of RM13,400,000 (2021: 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.

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28. SHARE CAPITAL

	Note	Group 2022 Units '000	Group 2021 Units '000	Company 2022 Units '000	Company 2021 Units '000
No. of ordinary shares					
Balance at beginning of financial year		3,014,185	3,014,185	3,014,185	3,014,185
Issuance of shares		300,000	–	300,000	–
Balance at end of financial year		3,314,185	3,014,185	3,314,185	3,014,185

	Note	RM'000	RM'000	RM'000	RM'000
Balance at beginning of financial year		5,951,557	5,851,557	5,550,250	5,550,250
Issuance of shares		824,683	–	822,620	–
Transfer from retained earnings arising from redemption of preference shares	16(a)(4)(ii)	–	100,000	–	–
Balance at end of financial year		6,776,240	5,951,557	6,372,870	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 3,371,450 as at 31 March 2022 (2021: 6,069,050).

On 1 April 2021, the Company announced its intention to undertake a private placement of up to 300 million 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. This action was intended to accelerate the Common Equity Tier 1 ("CET1") capital build post settlement with Ministry of Finance ("MOF") Malaysia.

On 14 April 2021, the Company completed the private placement with issuance of 300 million shares at RM2.75 per share. The total share capital raised amounted to RM824.7 million for the Group and RM822.6 million for the Company.

29. RESERVES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Regulatory reserve	(a)	102,920	–	–	–
Fair value reserve	(b)	499,227	708,790	–	–
Cash flow hedging deficit	(c)	(9,062)	(16,949)	–	–
Foreign currency translation reserve	(d)	98,871	94,992	–	–
ESS reserve	(e)	36,472	67,778	36,472	67,778
Treasury shares	(f)	(11,041)	(20,970)	(11,041)	(20,970)
Non-participating funds	(g)	45,715	45,715	–	–
Retained earnings	(h)	9,220,450	7,809,864	4,655,625	4,461,734
		9,983,552	8,689,220	4,681,056	4,508,542

29. RESERVES (CONT'D.)

(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. As at 31 March 2022, the Group has complied with the prudential buffers to the minimum regulatory requirements.

(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 debt instruments.

(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 5,330,700 (2021: 1,507,250) ordinary shares of the Company for a total consideration of RM16.8 million (2021: RM4.6 million) (including transaction costs) from the open market at an average price of RM3.15 per share (2021: RM3.04 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.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

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.

(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.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows: (cont'd.)

(vii) Details for Share Grants are as follows:

(a) Movements for Share Grants under STI award:

	Share Grants Number of Shares				
		Movements During the Financial Year			
Group	Balance at 1 April 2021 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2022 '000
2019 ESS	2,396	–	(2,378)	(18)	–
2020 ESS	6,865	–	(3,520)	(202)	3,143
	9,261	–	(5,898)	(220)	3,143

(b) Movements for Share Grants under LTI award:

	Number of Shares				
		Movements During the Financial Year			
Group	Balance at 1 April 2021 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2022 '000
2018 ESS	5,398	–	(2,140)	(3,258)	–
2019 ESS	6,617	–	–	(452)	6,165
2020 ESS	10,204	–	–	(666)	9,538
2021 ESS	–	7,610	–	–	7,610
	22,219	7,610	(2,140)	(4,376)	23,313

(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
2021 ESS (Grant 4)	6 April 2022

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31. NON-CONTROLLING INTERESTS

	Note	Group	
		2022 RM'000	2021 RM'000
Balance at beginning of financial year		949,582	979,268
Share in net results of subsidiaries		92,257	114,372
Share in other comprehensive income		(422)	452
Return of capital by a subsidiary	(a)	–	(49,000)
Subscription of shares arising from conversion of redeemable cumulative convertible preference shares by a subsidiary		256,164	–
Dividends received by non-controlling interests		(98,480)	(95,510)
Balance at end of the financial year		1,199,101	949,582

(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. INTEREST INCOME

	Group		Company	
	2022 RM'000	2021 (Restated) RM'000	2022 RM'000	2021 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	76,744	65,547	19,327	6,550
Financial assets at fair value through profit or loss	201,262	257,714	–	–
Financial investments at fair value through other comprehensive income	450,094	467,456	–	–
Financial investments at amortised cost	186,668	152,631	–	–
Loans and advances*	3,133,346	3,195,130	–	–
Impaired loans and advances	2,796	4,287	–	–
Others	15,703	13,015	–	–
	4,066,613	4,155,780	19,327	6,550

* Included in the interest income of loans and advances of the Group is the net gain of RM28.4 million (2021: net loss of RM50.3 million) arising from government support measures implemented in response to COVID-19 pandemic.

33. INTEREST EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers	1,295,569	1,605,199	–	–
Deposits and placements of banks and other financial institutions	82,632	91,922	–	–
Senior notes	3,090	7,422	–	–
Credit-Linked Notes	3,673	7,719	–	–
Securities sold under repurchase agreements	22,515	42,665	–	–
Recourse obligation on loans sold to Cagamas Berhad	203,717	145,548	–	–
Term loan	3,836	5,183	–	–
Debt Capital	148,393	131,008	–	–
Other structured products and others	6,817	27,207	–	–
	1,770,242	2,063,873	–	–

34. OTHER OPERATING INCOME

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Fee and commission income:					
Fees on loans and securities		159,538	109,525	–	–
Corporate advisory		15,069	10,483	–	–
Guarantee fees		47,120	48,044	–	–
Underwriting commission		2,174	129	–	–
Portfolio management fees		49,577	51,328	–	–
Unit trust fees, commission and charges		169,962	184,847	–	–
Property trust management fees		6,821	7,075	–	–
Brokerage fees and commission		44,086	69,593	–	–
Bancassurance commission		12,339	10,470	–	–
Wealth management fees		20,476	24,492	–	–
Remittances		24,947	19,196	–	–
Fees, service and commission charges		24,878	21,743	–	–
Placement fees		7,227	5,464	–	–
Other fees		19,509	19,356	–	–
		603,723	581,745	–	–
Investment and trading income:					
Net gain from sale of financial assets at fair value through profit or loss		3,711	275,388	–	–
Net gain from sale of financial investments at fair value through other comprehensive income		4,218	23,492	–	–
Net gain on redemption of financial investments at amortised cost		–	3,413	–	–
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss		(41,050)	66,483	–	–
Net gain on redemption of financial liabilities at fair value through profit or loss		401	–	–	–
Net gain on foreign exchange		84,144	109,982	–	–
Net gain/(loss) on derivatives		63,328	(135,126)	–	–
Gain on liquidation of subsidiaries		5	2,457	65	–
Dividend income from:					
Subsidiaries		–	–	193,058	354,260
Financial assets at fair value through profit or loss		30,917	32,130	24	26
Financial investments at fair value through other comprehensive income	11(i)	4,206	3,689	–	–
Others		5,383	1,010	–	–
		155,263	382,918	193,147	354,286
Other income:					
Net gain on non-trading foreign exchange		833	999	–	–
Net gain on disposal of property and equipment		75	145	–	38
Rental income		1,098	2,764	–	–
Profit from sale of goods and services		17,299	17,983	–	–
Gain on disposal of foreclosed properties		–	540	–	–
Others		7,669	5,669	1,067	1,176
		26,974	28,100	1,067	1,214
		785,960	992,763	194,214	355,500

NOTES TO THE FINANCIAL STATEMENTS
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35. OTHER OPERATING EXPENSES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Personal costs					
Salaries, allowances and bonuses		1,034,727	924,704	–	–
Shares granted under ESS:					
– (writeback)/charge		(2,256)	39,452	–	–
Contributions to Employees' Provident Fund ("EPF")/ Private Retirement Schemes		167,362	151,765	–	–
Social security cost		8,227	8,325	–	–
Other staff related expenses		102,485	155,922	–	–
		1,310,545	1,280,168	–	–
Establishment costs:					
Depreciation of property and equipment	19	62,901	69,892	1	115
Depreciation of right-of-use assets	20	77,884	82,342	–	–
Amortisation of intangible assets	21	107,195	110,695	–	–
Computerisation costs		191,590	184,632	299	283
Rental of premises		2,692	6,774	–	–
Cleaning, maintenance and security		32,242	29,036	–	–
Finance costs:					
– interest on lease liabilities	27(e)	7,815	12,191	–	–
– provision for reinstatement of leased properties	27(f)	107	141	–	–
Others		31,275	33,607	–	–
		513,701	529,310	300	398
Marketing and communication expenses:					
Sales commission		4,889	8,214	–	–
Advertising, promotional and other marketing activities		57,921	80,038	1	8
Telephone charges		20,628	23,159	1	–
Postage		10,157	12,721	–	1
Travelling and entertainment		5,413	7,693	–	–
Others		7,998	16,968	15	1
		107,006	148,793	17	10
Administration and general expenses:					
Professional services		72,043	84,308	3,335	887
Travelling		1,576	2,460	19	3
Insurance		6,591	6,076	22	–
Subscriptions and periodicals		9,213	9,192	3	8
Others		73,552	71,928	700	5,046
		162,975	173,964	4,079	5,944
Service transfer pricing expense, net		–	–	13,247	16,059
Total		2,094,227	2,132,235	17,643	22,411

35. OTHER OPERATING EXPENSES (CONT'D.)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Included in other operating expenses are the following:					
Directors' remuneration	36	5,524	4,839	4,132	3,594
Property and equipment written off	19	55	102	–	–
Auditors' remuneration:					
Audit		3,836	4,145	105	105
Regulatory and assurance related		1,478	751	30	29
Other services		1,272	1,377	–	–

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 RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
2022					
Chief Executive Officer:					
Dato' Sulaiman Mohd Tahir^	2,541	3,139	348	33	6,061

	Remuneration received/receivable from the Group			
	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2022				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,480	32	1,722
Graham Kennedy Hodges	84	54	–	138
Soo Kim Wai	350	195	20	565
Voon Seng Chuan	360	404	2	766
Seow Yoo Lin	350	211	2	563
Farina binti Farikhullah Khan	350	220	4	574
Hong Kean Yong	200	123	2	325
Dato' Kong Sooi Lin	350	178	10	538
Robert William Goudswaard	200	132	1	333
	2,454	2,997	73	5,524

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 RM'000	Bonus* RM'000	Benefits-in-kind 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 (Restated)** RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	168	1,473	19	1,660
Graham Kennedy Hodges	160	110	1	271
Soo Kim Wai	280	218	19	517
Voon Seng Chuan	288	388	1	677
Seow Yoo Lin	280	188	1	469
Farina binti Farikhullah Khan	280	220	2	502
Hong Kean Yong	160	120	1	281
Dato' Kong Sooi Lin	280	178	1	459
Robert William Goudswaard	3	–	–	3
	1,899	2,895	45	4,839

^ The remuneration for the CEO of the Company of RM2,000,000 (2021: RM2,810,000) was paid by AmBank and charged to the Company under Service Transfer Pricing ("STP") expenses.

* Relates to bonus received for the services rendered in the preceding year.

** In the previous Annual General Meeting, the shareholders had approved on the fees reduction for the Directors in respect of financial year ended 31 March 2021. The amount has been restated to the actual amount of fees paid.

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
2022				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,480	32	1,722
Graham Kennedy Hodges	84	54	–	138
Soo Kim Wai	200	92	1	293
Voon Seng Chuan	200	136	–	336
Seow Yoo Lin	200	143	1	344
Farina binti Farikhullah Khan	200	120	–	320
Hong Kean Yong	200	123	2	325
Dato' Kong Sooi Lin	200	120	1	321
Robert William Goudswaard	200	132	1	333
Total remuneration	1,694	2,400	38	4,132

	Remuneration received/receivable from the Company			
	Fees (Restated)** RM'000	Other Emoluments[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	168	1,473	19	1,660
Graham Kennedy Hodges	160	110	1	271
Soo Kim Wai	160	113	–	273
Voon Seng Chuan	160	120	–	280
Seow Yoo Lin	160	125	–	285
Farina binti Farikhullah Khan	160	108	–	268
Hong Kean Yong	160	120	1	281
Dato' Kong Sooi Lin	160	113	–	273
Robert William Goudswaard	3	–	–	3
Total remuneration	1,291	2,282	21	3,594

Notes:

1 Payable upon approval by shareholders in the Annual General Meeting of the 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.

** In the previous Annual General Meeting, the shareholders had approved on the fees reduction for the Directors in respect of financial year ended 31 March 2021. The amount has been restated to the actual amount of fees paid.

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37. ALLOWANCES FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Note	Group 2022 RM'000	Group 2021 (Restated) RM'000
Impairment on loans, advances and financing:			
Allowances for ECL	13(i)	554,563	1,264,849
Impaired loans, advances and financing recovered, net		(240,384)	(351,614)
		314,179	913,235

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

	Note	Group 2022 RM'000	Group 2021 (Restated) RM'000
Financial investments			
Financial investments at fair value through other comprehensive income	11	2,263	(14,392)
Financial investments at amortised cost	12	267,977	209,617
		270,240	195,225
Other financial assets			
Cash and short-term funds	6	(60)	1,493
Deposits and placements with banks and other financial institutions	8	1,283	(443)
Other assets	18(c)	655	(1,382)
		1,878	(332)

39. TAXATION AND ZAKAT

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current tax:					
Estimated current tax payable		502,805	362,462	4,399	1,528
Tax effect relating to the Settlement	5.4, 58	(234,552)	–	–	–
(Over)/Under provision in prior years		(38,189)	(116)	–	4
		230,064	362,346	4,399	1,532
Deferred tax:	15				
Origination and reversal of temporary differences		(18,729)	(133,855)	–	–
Over provision in prior years		(3,697)	(914)	–	–
		(22,426)	(134,769)	–	–
Taxation	(a)	207,638	227,577	4,399	1,532
Zakat		2,168	1,018	–	–
		209,806	228,595	4,399	1,532

Domestic income tax is calculated at the statutory tax rate of 24.0% (2021: 24.0%) on the estimated chargeable profit for the financial year. On 13 December 2021, the Dewan Rakyat has passed the Supply Bill ("Budget for 2022") which includes one-off tax of Cukai Makmur for year of assessment ("YA") 2022 of which corporate income tax rate of 33% will be imposed to entities with taxable income more than RM100 million in YA 2022. The impact to the Group for the financial year ended 31 March 2022 is RM105.7 million. The deferred tax for the current financial year is not impacted by Cukai Makmur and was calculated based on the tax rate of 24.0% (2021: 24.0%).

(a) A reconciliation of the taxation applicable to profit/(loss) 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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit/(Loss) before taxation and zakat	1,804,745	(3,483,499)	195,898	339,639
Taxation at Malaysian statutory tax rate of 24.0% (2021: 24.0%)	433,139	(836,040)	47,016	81,513
Effect of increase in tax rate	105,701	–	–	–
Effect of different tax rates in Labuan	(12,216)	1,312	–	–
Income not subject to tax	(61,705)	(107,544)	(46,767)	(85,022)
Restricted and non-deductibility of expenses for tax purposes	34,228	1,183,114	4,150	5,037
Tax recoverable recognised on income subject to tax remission	(4,489)	(1,720)	–	–
(Over)/Under provision of income tax in prior years	(38,189)	(116)	–	4
Tax effect relating to the Settlement	(234,552)	–	–	–
Over provision of deferred tax in prior years	(3,697)	(914)	–	–
Tax on share in results of associates and joint ventures	(10,582)	(10,515)	–	–
Taxation for the financial year	207,638	227,577	4,399	1,532

40. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) 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	
	2022 RM'000/'000	2021 RM'000/'000
Net profit/(loss) attributable to equity holders of the Company	1,502,682	(3,826,466)
Weighted average number of ordinary shares in issue	3,299,721	3,007,723
Basic earnings/(loss) per share (sen)	45.54	(127.22)

(b) Diluted earnings/(loss) per share

The Group has no dilution in its earnings/(loss) 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	
	2022 RM'000	2021 RM'000
In respect of financial year ended 31 March 2020		
Final single-tier dividend of 7.3 sen per share	–	219,696
Proposed but not recognised as a liability:		
In respect of financial year ended 31 March 2022		
Final single-tier dividend of 5.0 sen per share	165,541	–

(a) Proposed final dividend

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2023.

(b) Dividends paid by the Company's subsidiaries to non-controlling interests

Dividends paid by the Company's subsidiary to non-controlling interests amounted to RM98,480,000 during the financial year ended 31 March 2022 (2021: RM95,510,000).

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”)

KMP 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 KMP include Executive and Non-Executive Directors and certain members of senior management of the Group and of the Company as well as heads of major subsidiaries of the Company (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.

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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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group										
Income										
Interest on loans, advance and financing	–	–	11,440	12,106	134	241	3,246	5,545	–	–
Bancassurance commission	–	–	15,468	10,497	–	–	–	–	–	–
Fee income	–	–	418	544	3	38	–	4	–	–
Gain on derivatives	–	–	–	–	–	–	–	–	33,188	19,939
Foreign exchange gain/(loss)	–	–	–	–	–	–	–	–	4,578	(3,448)
	–	–	27,326	23,147	137	279	3,246	5,549	37,766	16,491
Expenses										
Interest on deposits	–	–	36	129	1,115	1,196	336	940	–	–
Customer loyalty awards	–	–	2,626	2,858	–	–	–	–	–	–
Rental of premises	–	–	–	–	–	–	283	321	–	–
Storage	–	–	17	22	–	–	–	–	–	–
Utilities and miscellaneous expenses	–	–	659	352	–	–	–	–	–	–
Insurance premium	–	–	32,702	33,853	–	–	–	–	–	–
Marketing	–	–	83	–	–	–	11	–	–	–
Training expenses	–	–	4	–	–	–	140	582	–	–
Travelling	–	–	–	–	–	–	18	138	–	–
	–	–	36,127	37,214	1,115	1,196	788	1,981	–	–
Company										
Income										
Interest on deposits	19,327	6,550	–	–	–	–	–	–	–	–
Dividend income from subsidiaries	193,058	354,260	–	–	–	–	–	–	–	–
Other income	205	208	–	–	–	–	–	–	–	–
	212,590	361,018	–	–	–	–	–	–	–	–
Expenses										
Service transfer pricing expenses (net)	13,247	16,059	–	–	–	–	–	–	–	–

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group										
Assets:										
Loans, advances and financing	–	–	355,645	355,544	4,960	7,701	145,591	73,029	–	–
Derivative financial assets	–	–	–	–	–	–	–	–	3,647	16,185
Other assets	–	–	158,359	10,021	–	–	–	–	5,888	44,346
Right-of-use assets	–	–	25,895	62,619	–	–	–	–	–	–
	–	–	539,899	428,184	4,960	7,701	145,591	73,029	9,535	60,531
Liabilities:										
Deposits and placements	–	–	14,276	37,233	72,685	61,003	147,820	26,495	29,980	7,662
Derivative financial liabilities	–	–	–	–	–	–	–	–	4,202	54,506
Other liabilities	–	–	114,870	12,555	–	–	–	–	–	–
Lease liabilities	–	–	28,203	65,539	–	–	–	–	–	–
	–	–	157,349	115,327	72,685	61,003	147,820	26,495	34,182	62,168
Commitments and contingencies										
Contingent liabilities	–	–	2,480	2,480	–	–	–	–	89,514	88,276
Commitments	–	–	34,820	34,000	6,878	7,905	243,500	219,500	210,000	1,053,609
Contract/notional amount for derivatives	–	–	–	–	–	–	–	–	632,492	4,565,435
	–	–	37,300	36,480	6,878	7,905	243,500	219,500	932,006	5,707,320
Company										
Assets:										
Cash and short-term funds	717,660	689,326	–	–	–	–	–	–	–	–
Amount due from related companies	11,109	1,832,618	205	240	–	–	–	–	–	–
	728,769	2,521,944	205	240	–	–	–	–	–	–
Liabilities:										
Amount owing to related companies	–	283	–	–	–	–	–	–	–	–

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) There were no granting of loans/financing 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/financing 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	
	2022 RM'000	2021 (Restated) RM'000	2022 RM'000	2021 (Restated) RM'000
Directors:				
Fees (Note 36)	2,454	2,022	1,694	1,291
Salary and other remuneration	2,997	2,895	2,400	2,282
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	61	45	38	21
Total short-term employee benefits	5,512	4,962	4,132	3,594
Other key management personnel:				
Salary and other remuneration	22,417	32,640	–	–
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	12,557	8,951	–	–
Total short-term employee benefits	34,974	41,591	–	–

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	2022	**2021**
Outstanding credit exposures with connected parties (RM'000)	5,297,585	6,443,708
Percentage of outstanding credit exposures to connected parties: as a proportion of total credit exposures (%)	3.96	5.03

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 2022 amounted to RM57,419,406,000 (2021: RM57,100,842,000).

(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	
	2022 RM'000	**2021 RM'000**
Clients' trust balances and dealers' representative balances	643,965	547,834
Remisiers' trust balances	35,268	37,421
	679,233	585,255

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

	Group	
	2022 RM'000	**2021 RM'000**
Monies in trust in relation to the fund management business	19,442	24,561

45. CAPITAL COMMITMENTS

	Group	
	2022 RM'000	**2021 RM'000**
Authorised and contracted for:		
Purchase of computer equipment and software	36,794	22,561
Purchase of furniture and fittings, office equipment and renovation	35	391
Leasehold improvements	7,721	5,493
	44,550	28,445
Authorised but not contracted for:		
Purchase of computer equipment and software	102,643	52,987
Purchase of furniture and fittings, office equipment and renovation	–	4
	102,643	52,991
	147,193	81,436

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	
	2022 RM'000	2021 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,485,076	17,722,506
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,516,528	2,018,731
Unutilised credit card lines	5,126,496	5,151,236
Forward asset purchases	60,257	894,498
	25,188,357	25,786,971
Contingent Liabilities		
Direct credit substitutes	2,972,783	2,113,258
Transaction related contingent items	4,295,291	4,303,726
Obligations under underwriting agreements	130,000	–
Short-term self-liquidating trade-related contingencies	604,427	694,409
	8,002,501	7,111,393
Derivative Financial Instruments		
Interest/Profit rate related contracts:	39,195,917	45,754,858
One year or less	12,051,408	13,551,363
Over one year to five years	20,836,522	27,165,318
Over five years	6,307,987	5,038,177
Foreign exchange related contracts:	48,628,852	56,479,420
One year or less	40,258,048	47,993,667
Over one year to five years	6,154,545	7,097,188
Over five years	2,216,259	1,388,565
Credit related contracts:	–	347,950
One year or less	–	347,950
Equity and commodity related contracts:	1,645,753	1,519,073
One year or less	1,570,386	1,434,391
Over one year to five years	75,367	84,682
	89,470,522	104,101,301
	122,661,380	136,999,665

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 (2021: 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., Morgan Stanley & Co. LLC and Morgan Stanley Capital Group Inc in respect of their respective futures trading activity with AmInvestment Bank.

(b) 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 ("COMPAT") pursuant to Section 53 of the CA. On 23 March 2021, the COMPAT panel unanimously decided to grant a stay of the financial penalties pending the disposal of the appeal.

On 26 April 2021, the High Court has granted AmGeneral's Application for Leave for Judicial Review and extended the interim stay which was granted on 15 March 2021 until the hearing of any objections or application by MyCC to set it aside. The grant of leave means the High Court has agreed to hear arguments on AmGeneral's application to set aside MyCC's decision.

On 20 October 2021, the High Court allowed MyCC's application to set aside the leave and stay order granted by the High Court.

AmGeneral has lodged an appeal to the Court of Appeal accordingly within the stipulated timeline. Further to this, COMPAT proceedings for oral submission by counsel representing PIAM, our counsel and all other Insurers' counsel were concluded on 12, 15, 16, 19 and 26 November 2021. COMPAT has fixed new dates for MyCC to conclude their oral submissions and counsel for the insurers to present their submissions in reply.

On 17 and 21 March 2022, MyCC appeared before COMPAT for MyCC's submissions in reply whereby MyCC raised some new points but did not address several main points that was brought up by AmGeneral's counsel. The submission in reply by other counsels commenced on 24 March 2022. On 21 April 2022, AmGeneral's counsel appeared before the COMPAT panel and proceeded with their oral submissions in reply. AmGeneral's counsel addressed the Court on and rebutted the points/cases referred to by MyCC. MyCC also made an application to put in further reply submissions to the reply submissions of AmGeneral's counsel. On 22 April 2022, AmGeneral's counsel appeared before the COMPAT panel who heard their oral submissions in full. The COMPAT panel then deliberated on the application for further submissions by MyCC and decided not to allow further submissions. The COMPAT panel thereafter indicated that the judgement would likely to be provided at the end of June 2022.

(c) 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 lawsuit against AmBank Islamic and the Company. The Plaintiff has filed an appeal against the High Court's decision and it was heard on 2 December 2021 and 24 January 2022 at the Court of Appeal. On 27 January 2022, the Court of Appeal dismissed the Plaintiff's appeal and ordered the Plaintiff to pay total costs of RM40,000 to AmBank Islamic and the Company.

As at today, the Plaintiff did not lodge any further appeal against at the Court of Appeal decision and the last day of appeal, being 26 February 2022, has lapsed.

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
2022			
ASSETS			
Cash and short-term funds	13,221,099	–	13,221,099
Deposits and placements with banks and other financial institutions	1,301,449	–	1,301,449
Derivative financial assets	226,265	595,108	821,373
Financial assets at fair value through profit or loss	3,850,906	3,365,654	7,216,560
Financial investments at fair value through other comprehensive income	2,805,764	15,950,993	18,756,757
Financial investments at amortised cost	879,880	8,157,886	9,037,766
Loans, advances and financing	30,008,184	88,057,501	118,065,685
Statutory deposits with Bank Negara Malaysia	–	376,523	376,523
Deferred tax assets	–	218,551	218,551
Investment in associates and joint ventures	–	604,542	604,542
Other assets	2,093,250	792,069	2,885,319
Reinsurance assets and other insurance receivables	389,061	191,644	580,705
Property and equipment	–	180,968	180,968
Right-of-use assets	–	189,372	189,372
Intangible assets	–	1,399,912	1,399,912
Assets held for sale	2,324	–	2,324
TOTAL ASSETS	54,778,182	120,080,723	174,858,905
LIABILITIES			
Deposits from customers	120,873,171	1,719,679	122,592,850
Investment accounts of customers	377,861	–	377,861
Deposits and placements of banks and other financial institutions	8,651,705	1,242,880	9,894,585
Securities sold under repurchase agreements	1,582,717	–	1,582,717
Recourse obligation on loans and financing sold to Cagamas Berhad	2,425,016	5,950,007	8,375,023
Derivative financial liabilities	221,452	582,111	803,563
Term funding	226,460	1,653,637	1,880,097
Debt capital	–	4,395,000	4,395,000
Deferred tax liabilities	–	8,093	8,093
Other liabilities	3,503,625	799,237	4,302,862
Insurance contract liabilities and other insurance payables	1,883,276	804,085	2,687,361
TOTAL LIABILITIES	139,745,283	17,154,729	156,900,012

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
2021 (Restated)			
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	5,968,503	6,043,474
Loans, advances and financing	28,565,859	82,050,645	110,616,504
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	2,229,487	222,714	2,452,201
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	61,238,149	108,940,105	170,178,254
LIABILITIES			
Deposits from customers	119,079,187	1,463,999	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	143,390,115	11,197,780	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.)

Company	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2022			
ASSETS			
Cash and short-term funds	717,660	–	717,660
Financial assets at fair value through profit or loss	–	1,128	1,128
Investment in subsidiaries and other investments	–	10,857,350	10,857,350
Other assets	11,615	–	11,615
Property and equipment	–	–	–
TOTAL ASSETS	729,275	10,858,478	11,587,753
LIABILITIES			
Other liabilities	533,827	–	533,827
TOTAL LIABILITIES	533,827	–	533,827

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

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. As at the reporting date, the Group and its banking subsidiaries continued to maintain sufficient buffer above the Capital Conservation Buffer ("CCB") and minimum regulatory requirement.

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 from financial year 2021 to financial year 2024.

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

	2022			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Tier 1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Total Capital Ratio	16.109%	17.292%	34.077%	15.456%
After deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Tier 1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Total Capital Ratio	16.109%	17.292%	26.456%	15.315%

48. CAPITAL MANAGEMENT (CONT'D.)

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

	2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
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%

Note:

(1) 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 of the Group and the banking subsidiaries had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries as at 31 March 2022 and 31 March 2021 are as follows:

	2022			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Tier 1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Total Capital Ratio	15.967%	16.948%	34.077%	15.324%
After deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Tier 1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Total Capital Ratio	15.967%	16.948%	26.456%	15.184%

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48. CAPITAL MANAGEMENT (CONT'D.)

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

(1) 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 of the Group and the banking subsidiaries had been computed applying transitional arrangement on provision for ECL. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries as at 31 March 2022 and 31 March 2021 are as follows: (cont'd.)

	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%

(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 comprises 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").

48. CAPITAL MANAGEMENT (CONT'D.)

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

	2022			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 1	3,040,465	1,387,107	330,000	6,376,240
Retained earnings	6,524,068	2,490,692	139,315	9,251,065
Fair value reserve	293,346	(3,893)	1,703	485,759
Foreign exchange translation reserve	92,301	–	–	98,871
Treasury shares	–	–	–	(11,041)
Regulatory reserve	94,463	–	8,457	102,920
Cash flow hedging deficit	(9,062)	–	–	(9,062)
Other remaining disclosed reserves	–	–	–	36,472
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(221,538)	(495)	(2,063)	(225,116)
Deferred tax assets	(158,227)	(61,249)	(5,446)	(216,855)
55% of cumulative gains in fair value reserve	(161,340)	–	(937)	(267,168)
Cash flow hedging deficit	9,062	–	–	9,062
Regulatory reserve	(94,463)	–	(8,457)	(102,920)
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	(648)	(92)	–	(681)
Other CET1 regulatory adjustments specified by BNM	413,471	235,578	1	649,031
CET1 Capital	**9,813,410**	**4,047,648**	**412,764**	**14,539,085**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	431
Tier 1 Capital	**9,813,410**	**4,047,648**	**412,764**	**14,539,516**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,752,328
General provisions*	650,081	256,523	8,460	914,980
Tier 2 Capital	**3,745,081**	**1,556,523**	**8,460**	**3,667,308**
Total Capital	**13,558,491**	**5,604,171**	**421,224**	**18,206,824**

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	75,535,958	32,508,336	891,418	106,092,293
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(2,075,074)	–	(361,288)
Total Credit RWA	75,535,958	30,433,262	891,418	105,731,005
Market RWA	2,859,665	215,113	17,652	3,973,469
Operational RWA	4,792,198	1,760,237	327,009	7,114,901
Large exposure risk RWA for equity holdings	980,771	–	–	981,925
Total RWA	**84,168,592**	**32,408,612**	**1,236,079**	**117,801,300**

Note 1: On 14 April 2021, the Company increased its issued and paid-up ordinary share capital by RM825.0 million through the issuance of 300,000,000 new ordinary shares as disclosed in Note 58.

On 31 May 2021, AmBank increased its issued and paid-up ordinary share capital by RM450.0 million through the issuance of 46,680,498 new ordinary shares.

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48. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (cont'd.)

	2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 2	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:

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
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 2: 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.

* 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) Harnessing expertise across the Group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P^2ACE") DNA, (7) Integrating Environmental, Social, and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

1 The Group aspires to have a minimum 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 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 its Total Capital Ratio at the Group's Internal Capital Target under normal conditions.

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

5 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).

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.

7 The Group aims for at least 70% of its loan/financing portfolio to constitute exposures with low Environmental, Social and Governance Risk Grade ("ESG-RG") by FY2030.

8 The Group aims to maintain its IRRBB/RORBB Internal Capital Adequacy Assessment Programme ("ICAAP") Pillar 2 over total capital ratio at entity level as follows:

   a. ICAAP IRRBB/RORBB at below 8.5% of its Total Capital for AmBank and AmBank Islamic (entity level);

   b. ICAAP IRRBB/RORBB at below 5% of its Total Capital for AmInvestment (entity level).

49. RISK MANAGEMENT (CONT'D.)

49.1 General Risk Management (cont'd.)

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, technology and cyber risk.

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

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

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology, emerging risks and ESG risk;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies;
- through the RMC, has access to the Board and the Boards of the respective banking 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 businesses, operations and decision making processes. The Group as a sustainable-conscious organisation had 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 with various allowances provided for by the regulator, as well as the introduction of multiple government guaranteed schemes to assist SMEs.

Although some risks within the portfolio have begin emerging, especially in Retail Banking, the effects of the efforts put in to reach out to customers throughout the period is seen. The Group continues proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out and has been actively offering assistance where required. In addition, appropriate management overlay has been set aside to cushion the potential flow in arrears of account under repayment assistance.

The Group has been continuously engaging our SME customers through multiple channels and has been encouraging them to reach out to the banking subsidiaries if assistance is needed. Reviews on our customers has been an on-going process, especially those in vulnerable sectors and segments, and various forms of assistance has been extended within the regulators allowance and the Group's risk appetite.

The Group has also continue to provide the repayment assistance packages in line with government initiative to assist the affected customer:

(1) URUS – a programme for eligible B50 borrowers/customers which provides a personalised financial plan that holistically takes into account financial circumstances and affordability to repay all financing obligations.

(2) PEMERKASA Plus – which offer 3 months loans/financing deferment or reduction in instalments for 6 months (PEMERKASA was then replaced by PEMULIH in July 2021).

(3) PEMULIH – which offer 6 months moratorium, reduction of instalment by 50% and other packages including to reschedule and restructure financing to suit the specific financial circumstances of borrowers (ended December 2021).

Group Risk Management as a whole has been closely monitoring, mitigating and addressing the prolonged impact arising from the COVID-19 pandemic 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 assessment 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 • Annual refresh of customers' credit risk rating

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/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 GRAF 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") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") 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, and RCP for RB) sets out the controls in managing R&R loans/financing;
- Setting Retail risk controls capping for higher risk segment 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
2022								
Cash and short–term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	4,523	105,139	36,848	–	(2)	1,609	547	148,664
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	52,031	69,858	–	–	112,128	–	20,580	254,597
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	–	365,965	29,364	987,234	34,123	448,251	669,519	2,534,456
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	194,971	579,692	–	381,105	1,820,931	1,416,948	291,139	4,684,786
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	194,971	579,692	–	381,105	1,820,931	1,416,948	291,139	4,684,786
Loans, advances and financing								
Hire purchase	1,694	446	10,691	974	12,970	52,231	10,960	89,966
Mortgage	4,019	2,226	38,427	2,355	47,197	65,527	11,462	171,213
Credit card	–	–	–	–	–	–	–	–
Other loans, advances and financing	106,336	35,847	718,937	89,918	678,046	1,598,827	258,933	3,486,844
Corporate loans, advances and financing								
Term loans and bridging loans	1,374,342	1,932,496	6,769,062	201,582	1,155,680	3,459,035	3,783,233	18,675,430
Revolving credits	552,898	90,089	1,941,878	530,945	1,076,191	363,038	461,944	5,016,983
Overdrafts	120,396	30,642	563,689	83,572	732,171	767,512	138,373	2,436,355
Trade	214,401	38,468	5,859,977	273,284	650,338	4,228,323	177,999	11,442,790
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,374,086	2,130,214	15,902,661	1,182,630	4,352,593	10,534,493	4,842,904	41,319,581
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	9,003	13,181	3,150	30,328	65,340	11,939	8,194	141,135
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	9,003	13,181	3,150	30,328	65,340	11,939	8,194	141,135
	2,634,614	3,264,049	15,972,023	2,581,297	6,385,113	12,413,240	5,832,883	49,083,219
Commitments	564,466	202,747	4,272,608	555,401	4,729,515	2,632,917	527,090	13,484,744
Contingent liabilities	267,776	343,552	1,861,892	588,649	3,175,267	500,735	279,098	7,016,969
Total commitments and contingent liabilities	832,242	546,299	6,134,500	1,144,050	7,904,782	3,133,652	806,188	20,501,713

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
2022										
Cash and short-term funds	–	4,962,885	8,260,459	–	–	–	–	–	(2,245)	13,221,099
Deposits and placements with banks and other financial institutions	–	1,302,774	–	–	–	–	–	–	(1,325)	1,301,449
Derivative financial assets	148,664	660,418	–	666	2,555	159	3,795	5,116	–	821,373
Financial assets at fair value through profit or loss										
Money market securities	–	99,460	2,073,581	–	–	–	–	–	–	2,173,041
Quoted corporate bonds and sukuk	–	13,315	–	–	–	–	–	–	–	13,315
Unquoted corporate bonds and sukuk	254,597	1,309,466	235,004	354,739	–	–	–	1,573,899	–	3,727,705
Financial investments at fair value through other comprehensive income										
Money market securities	–	1,042,918	7,455,258	–	–	–	–	–	–	8,498,176
Unquoted corporate bonds and sukuk	2,534,456	2,639,557	3,017,278	239,701	–	–	–	1,152,500	–	9,583,492
Financial investments at amortised cost										
Money market securities	–	–	3,168,944	–	–	–	–	–	–	3,168,944
Unquoted corporate bonds and sukuk	4,684,786	810,510	295,387	320,246	25,000	–	–	216,117	–	6,352,046
Allowances for ECL	–	–	–	–	–	–	–	–	(483,224)	(483,224)
Total financial investments at amortised cost	4,684,786	810,510	3,464,331	320,246	25,000	–	–	216,117	(483,224)	9,037,766
Loans, advances and financing										
Hire purchase	89,966	578	–	1,098	16,623	3,702	12,575,908	–	–	12,687,875
Mortgage	171,213	4,722	–	80,048	72,316	16,673	42,423,616	–	–	42,768,588
Credit card	–	–	–	–	8,449	–	2,564,983	–	–	2,573,432
Other loans, advances and financing	3,486,844	33,509	–	475,986	565,862	135,260	6,261,382	–	–	10,958,843
Corporate loans, advances and financing										
Term loans and bridging loans	18,675,430	317,738	–	3,977,043	1,199,583	858,632	457,607	–	–	25,486,033
Revolving credits	5,016,983	2,742,101	–	1,877,766	219,200	251,066	743,514	25,030	–	10,875,660
Overdrafts	2,436,355	44,856	–	198,593	127,594	95,996	69,921	–	–	2,973,315
Trade	11,442,790	123,341	–	5,660	49,317	48,407	–	–	–	11,669,515
Allowances for ECL	–	–	–	–	–	–	–	–	(1,927,576)	(1,927,576)
Total loans, advances and financing	41,319,581	3,266,845	–	6,616,194	2,258,944	1,409,736	65,096,931	25,030	(1,927,576)	118,065,685
Statutory deposits with Bank Negara Malaysia	–	–	376,523	–	–	–	–	–	–	376,523
Other financial assets	141,135	1,212,827	303,874	21,576	40,984	33	50,992	374,107	–	2,145,528
Allowances for ECL	–	–	–	–	–	–	–	–	(6,667)	(6,667)
Total other financial assets	141,135	1,212,827	303,874	21,576	40,984	33	50,992	374,107	(6,667)	2,138,861
	49,083,219	17,320,975	25,186,308	7,553,122	2,327,483	1,409,928	65,151,718	3,346,769	(2,421,037)	168,958,485
Commitments	13,484,744	961,333	60,257	1,356,986	374,649	308,882	8,588,336	53,170	–	25,188,357
Contingent liabilities	7,016,969	136,281	–	497,404	195,219	156,485	143	–	–	8,002,501
Total commitments and contingent liabilities	20,501,713	1,097,614	60,257	1,854,390	569,868	465,367	8,588,479	53,170	–	33,190,858

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
2021 (Restated)								
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	21,657	125,850	120,253	–	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	194,834	579,692	–	381,382	1,682,260	–	1,102,412	3,940,580
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	194,834	579,692	–	381,382	1,682,260	–	1,102,412	3,940,580
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	1,375,163	2,112,080	6,470,469	199,477	1,003,145	3,322,761	2,010,818	16,493,913
Revolving credits	696,013	149,089	1,705,397	749,952	1,280,733	374,204	514,067	5,469,455
Overdrafts	142,504	26,946	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	2,563,492	2,359,557	14,647,484	1,216,489	4,716,911	8,961,747	3,459,570	37,925,250
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	633	5,785	8,751	31,061	68,230	2,470	4,503	121,433
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	633	5,785	8,751	31,061	68,230	2,470	4,503	121,433
	2,822,770	3,562,036	14,805,846	2,615,177	7,608,605	9,455,610	4,726,170	45,596,214
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 (Restated)										
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	3,940,580	845,603	284,736	538,824	25,000	–	–	221,401	–	5,856,144
Allowances for ECL	–	–	–	–	–	–	–	–	(215,247)	(215,247)
Total financial investments at amortised cost	3,940,580	845,603	687,313	538,824	25,000	–	–	221,401	(215,247)	6,043,474
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	16,493,913	351,041	–	4,490,189	1,394,989	658,263	383,840	–	–	23,772,235
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	28,226	–	222,419	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	–	–	–	–	–	–	–	–	(2,075,771)	(2,075,771)
Total loans, advances and financing	37,925,250	2,246,635	–	7,429,403	2,427,283	1,022,470	61,615,459	25,775	(2,075,771)	110,616,504
Statutory deposits with Bank Negara Malaysia	–	–	425,278	–	–	–	–	–	–	425,278
Other financial assets	121,433	997,966	239,046	35,643	114,008	280	90,301	367,221	–	1,965,898
Allowances for ECL	–	–	–	–	–	–	–	–	(6,604)	(6,604)
Total other financial assets	121,433	997,966	239,046	35,643	114,008	280	90,301	367,221	(6,604)	1,959,294
	45,596,214	15,263,718	28,616,479	8,489,044	2,676,593	1,032,854	61,709,252	3,545,251	(2,299,995)	164,629,410
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.)

Company	Finance and Insurance RM'000
2022	
Cash and short-term funds	717,660
Other financial assets	11,368
Total financial assets	729,028
2021	
Cash and short-term funds	689,326
Other financial assets	1,833,125
Total financial assets	2,522,451

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
2022			
Cash and short-term funds	11,114,774	2,108,570	13,223,344
Less: Allowances for ECL	(1,329)	(916)	(2,245)
Total cash and short-term funds	11,113,445	2,107,654	13,221,099
Deposits and placements with banks and other financial institutions	566,811	735,963	1,302,774
Less: Allowances for ECL	(856)	(469)	(1,325)
Total deposits and placements with banks and other financial institutions	565,955	735,494	1,301,449
Derivative financial assets	537,976	283,397	821,373
Financial assets at fair value through profit or loss			
Money market securities	2,173,041	–	2,173,041
Quoted corporate bonds and sukuk	13,315	–	13,315
Unquoted corporate bonds and sukuk	3,727,705	–	3,727,705
Financial investments at fair value through other comprehensive income			
Money market securities	8,484,557	13,619	8,498,176
Unquoted corporate bonds and sukuk	9,573,069	10,423	9,583,492
Financial investments at amortised cost			
Money market securities	3,168,944	–	3,168,944
Unquoted corporate bonds and sukuk	6,352,046	–	6,352,046
Less: Allowances for ECL	(483,224)	–	(483,224)
Total financial investments at amortised cost	9,037,766	–	9,037,766
Loans, advances and financing			
Hire purchase	12,687,875	–	12,687,875
Mortgage	42,768,588	–	42,768,588
Credit card	2,573,432	–	2,573,432
Other loans, advances and financing	10,958,843	–	10,958,843
Corporate loans, advances and financing			
Term loans and bridging loans	24,642,842	843,191	25,486,033
Revolving credits	10,824,678	50,982	10,875,660
Overdrafts	2,973,315	–	2,973,315
Trade	11,669,515	–	11,669,515
Less: Allowances for ECL	(1,915,699)	(11,877)	(1,927,576)
Total loans, advances and financing	117,183,389	882,296	118,065,685
Statutory deposits with Bank Negara Malaysia	376,523	–	376,523
Other financial assets	2,027,903	117,625	2,145,528
Less: Allowances for ECL	(5,333)	(1,334)	(6,667)
Total other financial assets	2,022,570	116,291	2,138,861
Commitments	25,019,081	169,276	25,188,357
Contingent liabilities	7,981,473	21,028	8,002,501
Total commitments and contingent liabilities	33,000,554	190,304	33,190,858

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
2021 (Restated)			
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	5,856,144	–	5,856,144
Less: Allowances for ECL	(215,247)	–	(215,247)
Total financial investments at amortised cost	6,043,474	–	6,043,474
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	23,223,256	548,979	23,772,235
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	(2,043,751)	(32,020)	(2,075,771)
Total loans, advances and financing	109,989,866	626,638	110,616,504
Statutory deposits with Bank Negara Malaysia	425,278	–	425,278
Other financial assets	1,705,474	260,424	1,965,898
Less: Allowances for ECL	(5,357)	(1,247)	(6,604)
Total other financial assets	1,700,117	259,177	1,959,294
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.)

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2022			
Cash and short-term funds	717,660	–	717,660
Other financial assets	11,368	–	11,368
	729,028	–	729,028
2021 (Restated)			
Cash and short-term funds	689,326	–	689,326
Other financial assets	1,833,125	–	1,833,125
	2,522,451	–	2,522,451

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 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 for non-retail portfolio.

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 <0.1%. • 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 <0.6%. • 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 <1.1%. • 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 <2.3%. • 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 4.1%. • 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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 policy/guidelines.

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 Classified Account Management Policy for Credit Facility.

Impairment

The relevant governance for the respective Line of Businesses are established to align with the MFRS and related BNM's standards/guidelines. In general, an asset is considered impaired when:

a. the Group considers that an obligor is "unlikely to repay" in full its credit obligations to the 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 relevant 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.

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.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Group Provisioning Methodology (cont'd.)

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 ("LR")

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Credit risk grades are a primary input into the determination of PD term structure for exposures. If a counterparty or exposure migrates between rating grades, then this will lead to a change in associated PD. The Group collects performance and default information about its credit risk exposures analysed by portfolio.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan-to-Value ("LTV") ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discount factor.

EAD represents the expected exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of an on-balance sheet 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").

Three 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.

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

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.

The following table shows the forecast of key economic variables used in forward-looking models for ECL calculations for financial year ended 31 March 2022 and 31 March 2021. (Yearly values = average of forecasted quarterly values).

31 March 2022

Macroeconomic Variable	Forward-Looking Scenario	Assigned Probabilities (%)	2022	2023	2024	2025	2026
Consumer Price Index (%)	Base	60%	2.78	2.21	2.00	1.78	1.85
	Optimistic	10%	3.05	2.43	2.20	1.95	2.04
	Pessimistic	30%	2.36	1.88	1.70	1.51	1.57
GDP Growth (%)	Base	60%	5.60	4.83	4.68	4.75	4.53
	Optimistic	10%	6.16	5.31	5.14	5.23	4.98
	Pessimistic	30%	4.76	4.10	3.97	4.04	3.85
House Price Index (%)	Base	60%	1.08	2.58	2.75	3.08	2.98
	Optimistic	10%	1.20	2.83	3.03	3.38	3.27
	Pessimistic	30%	0.88	2.19	2.34	2.61	2.53
USD/MYR Exchange Rate	Base	60%	4.16	4.12	4.06	4.03	4.01
	Optimistic	10%	3.95	3.91	3.86	3.83	3.81
	Pessimistic	30%	4.37	4.32	4.26	4.23	4.21
Brent Oil Price (USD/barrel)	Base	60%	103.75	84.00	71.25	69.50	67.75
	Optimistic	10%	114.13	92.40	78.38	76.45	74.53
	Pessimistic	30%	88.19	71.40	60.56	59.08	57.59

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

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Write-off Governance

(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 financial year ended 31 March 2022 was RM536.1 million (2021: RM496.6 million). 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/financing provided to customers due to commercial renegotiations, or for distressed loans/financing, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring governance and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These governance are kept under continuous review.

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	
	2022 RM'000	2021 RM'000
Loans, advances and financing		
Amortised cost before modification	31,214,402	67,192,176
Net modification loss included under interest income	(54,847)	(433,805)

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
2022			
Risk grade			
Exceptionally strong	9,195,689	–	9,195,689
Very strong	4,025,584	–	4,025,584
Strong	1,552	352	1,904
Substandard	–	35	35
Unrated	132	–	132
Gross exposure	13,222,957	387	13,223,344
Less: Allowances for ECL	(2,225)	(20)	(2,245)
Net exposure	13,220,732	367	13,221,099

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

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
2022	
Risk grade	
Very strong	717,660
Net exposure	717,660

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

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	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2022				
Risk grade				
Exceptionally strong	4,139,588	–	–	4,139,588
Very strong	3,617,804	–	–	3,617,804
Strong	608,395	–	–	608,395
Satisfactory	280,124	295,387	–	575,511
Impaired	–	–	579,692	579,692
Gross exposure	8,645,911	295,387	579,692	9,520,990
Less: Allowances for ECL	(4,497)	–	(478,727)	(483,224)
Net exposure	8,641,414	295,387	100,965	9,037,766

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021 (Restated)			
Risk grade			
Exceptionally strong	402,577	–	402,577
Very strong	3,038,368	–	3,038,368
Strong	230,216	–	230,216
Satisfactory	395,770	–	395,770
Moderate	–	579,692	579,692
Marginal	–	1,612,098	1,612,098
Gross exposure	4,066,931	2,191,790	6,258,721
Less: Allowances for ECL	(3,916)	(211,331)	(215,247)
Net exposure	4,063,015	1,980,459	6,043,474

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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 (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
2022			
Risk grade			
Exceptionally strong	9,154,908	–	9,154,908
Very strong	6,543,051	–	6,543,051
Strong	1,650,927	–	1,650,927
Satisfactory	142,815	157,626	300,441
Moderate	–	357,424	357,424
Marginal	–	74,917	74,917
Gross exposure	17,491,701	589,967	18,081,668
Less: Allowances for ECL	(10,494)	(9,842)	(20,336)
Net exposure	17,481,207	580,125	18,061,332

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

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
2022				
Risk grade				
Exceptionally strong	25,385	–	–	25,385
Very strong	51,027,029	568,857	–	51,595,886
Strong	19,066,266	1,074,237	–	20,140,503
Satisfactory	22,907,875	3,156,193	–	26,064,068
Moderate	6,632,781	2,408,936	–	9,041,717
Marginal	2,665,151	3,898,989	–	6,564,140
Substandard	780,597	4,099,106	–	4,879,703
Unrated	5,815	–	–	5,815
Impaired	–	–	1,676,044	1,676,044
Gross exposure	103,110,899	15,206,318	1,676,044	119,993,261
Less: Allowances for ECL	(217,884)	(1,159,616)	(550,076)	(1,927,576)
Net exposure	102,893,015	14,046,702	1,125,968	118,065,685

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 (Restated)				
Risk grade				
Exceptionally strong	45,929	12	–	45,941
Very strong	42,375,643	586,441	–	42,962,084
Strong	19,467,144	704,609	–	20,171,753
Satisfactory	23,157,853	3,616,313	–	26,774,166
Moderate	8,314,967	2,955,530	–	11,270,497
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	95,841,072	15,080,883	1,770,320	112,692,275
Less: Allowances for ECL	(431,800)	(1,109,340)	(534,631)	(2,075,771)
Net exposure	95,409,272	13,971,543	1,235,689	110,616,504

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
2022			
Risk grade			
Exceptionally strong	386,834	–	386,834
Very strong	984,854	–	984,854
Strong	210,280	–	210,280
Satisfactory	19,718	–	19,718
Moderate	26,379	–	26,379
Marginal	1,750	–	1,750
Substandard	16,400	–	16,400
Unrated	486,412	–	486,412
Impaired	–	12,901	12,901
Gross exposure	2,132,627	12,901	2,145,528
Less: Allowances for ECL	(1,509)	(5,158)	(6,667)
Net exposure	2,131,118	7,743	2,138,861

Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2021 (Restated)			
Risk grade			
Exceptionally strong	480,709	–	480,709
Very strong	640,871	–	640,871
Strong	134,474	–	134,474
Satisfactory	98,900	–	98,900
Moderate	4,568	–	4,568
Marginal	16,720	–	16,720
Substandard	60,425	–	60,425
Unrated	524,289	–	524,289
Impaired	–	4,942	4,942
Gross exposure	1,960,956	4,942	1,965,898
Less: Allowances for ECL	(1,662)	(4,942)	(6,604)
Net exposure	1,959,294	–	1,959,294

Company	Lifetime ECL not credit impaired	
	2022 RM'000	2021 RM'000
Risk grade		
Very strong	11,368	1,833,125
Net exposure	11,368	1,833,125

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
2022				
Risk grade				
Exceptionally strong	1,604,543	–	–	1,604,543
Very strong	15,882,967	66,246	–	15,949,213
Strong	6,024,564	161,174	–	6,185,738
Satisfactory	5,420,219	390,844	–	5,811,063
Moderate	1,330,350	293,604	–	1,623,954
Marginal	290,938	335,997	–	626,935
Substandard	485,089	370,087	–	855,176
Unrated	3,722	–	–	3,722
Impaired	–	–	340,257	340,257
Gross exposure	31,042,392	1,617,952	340,257	33,000,601
Less: Allowances for ECL	(28,926)	(26,330)	(247,941)	(303,197)
Net exposure	31,013,466	1,591,622	92,316	32,697,404

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

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
2022		
Risk grade		
Exceptionally strong	–	376,523
Very strong	1,218,664	–
Satisfactory	84,110	–
Gross exposure	1,302,774	376,523
Less: Allowances for ECL	(1,325)	–
Net exposure	1,301,449	376,523

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

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
2022		
Risk grade		
Exceptionally strong	5,225,349	144,357
Very strong	430,614	418,614
Strong	128,674	141,136
Satisfactory	129,424	6,782
Moderate	–	99,023
Marginal	–	279
Substandard	–	57
Unrated	–	11,125
Net exposure	5,914,061	821,373

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

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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		Financial effect of collateral		Unsecured portion of credit exposure	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gross loans, advances and financing						
Hire purchase	12,687,875	13,212,144	12,334,483	12,572,591	353,392	639,553
Mortgage	42,768,588	40,111,859	42,380,668	39,781,085	387,920	330,774
Credit card	2,573,432	2,547,195	46,299	45,564	2,527,133	2,501,631
Other loans, advances and financing	10,958,843	9,435,927	9,498,699	8,036,966	1,460,144	1,398,961
Corporate loans, advances and financing	51,004,523	47,385,150	23,889,968	23,178,784	27,114,555	24,206,366
Term loans and bridging loans	25,486,033	23,772,235	14,561,081	14,315,222	10,924,952	9,457,013
Revolving credits	10,875,660	10,454,979	3,652,938	3,734,854	7,222,722	6,720,125
Overdrafts	2,973,315	3,070,234	2,157,821	1,846,142	815,494	1,224,092
Trade (include factoring)	11,669,515	10,087,702	3,518,128	3,282,566	8,151,387	6,805,136
Total	119,993,261	112,692,275	88,150,117	83,614,990	31,843,144	29,077,285

49.2.1e Collateral repossessed

	Group	
	2022 RM'000	2021 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	2,327	2,308
	2,477	2,458

The above assets are accounted for as foreclosed properties under other assets (Note 18). There were no new assets obtained for the financial year 2022 and 2021.

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
2022				
Credit-impaired financial assets				
Hire purchase	81,221	24,847	56,374	72,242
Mortgage	614,317	138,652	475,665	508,152
Credit card	40,425	22,907	17,518	191
Other loans and financing	157,508	25,627	131,881	112,236
Corporate loans, advances and financing				
Term loans and bridging loans	589,155	250,328	338,827	404,696
Revolving credits	41,298	13,458	27,840	34,687
Overdrafts	83,421	33,320	50,101	68,826
Trade	68,699	40,937	27,762	25,774
Total credit-impaired financial assets	1,676,044	550,076	1,125,968	1,226,804

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

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 2022 RM'000	Gross loans, advances and financing 2021 RM'000
Retail and wholesale/trading	9,837,122	8,257,648
Accommodation	530,541	539,004
Travel agencies/tourism	13,534	14,096
Airline/aviation	525,132	180,375
Food and beverage services/restaurants	166,830	165,198
	11,073,159	9,156,321

49.2.1h COVID-19 customer relief and support measures

The table below shows the relief and support measures for retail and non-retail customers as at 31 March 2022:

Group	Retail customers as at 31 March 2022						Non-retail customers as at 31 March 2022				
	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") granted	36,047,928	9,098,577	582,178	2,507,569	3,725,416	51,961,668	13,680,492	10,625,694	145,846	24,452,032	76,413,700
Resumed repayments	30,102,570	6,813,905	372,064	2,292,175	2,093,643	41,674,357	9,311,637	7,229,663	118,941	16,660,241	58,334,598
Extended and/or repaying as per revised schedules	3,229,955	759,588	90,889	124,540	1,301,839	5,506,811	3,785,386	3,325,107	24,279	7,134,772	12,641,583
Missed payments	2,715,403	1,525,084	119,225	90,854	329,934	4,780,500	583,469	70,924	2,626	657,019	5,437,519
As a percentage of total:											
Resumed repayments	83%	75%	64%	91%	56%	80%	68%	68%	81%	68%	76%
Extended and/or repaying as per revised schedules	9%	8%	16%	5%	35%	11%	28%	31%	17%	29%	17%
Missed payments	8%	17%	20%	4%	9%	9%	4%	1%	2%	3%	7%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1h COVID-19 customer relief and support measures (cont'd.)

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") granted	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%

49.2.1i 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 extended to July 2022.

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 financial year 2023 ("FY23") amount to RM738.3 million as at 31 March 2022 (2021: RM822.9 million).

49. RISK MANAGEMENT (CONT'D.)

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/Targets • Depositor Concentration Ratios • Other Detailed Limits/Triggers/Targets
Monitoring/Review	• Monitor controls • 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.

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 Capital and Balance Sheet Management ("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 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
2022								
Assets								
Cash and short-term funds	13,221,099	–	–	–	–	–	–	13,221,099
Deposits and placements with banks and other financial institutions	–	1,301,449	–	–	–	–	–	1,301,449
Derivative financial assets	38,498	73,436	39,950	74,381	367,376	227,732	–	821,373
Financial assets at fair value through profit or loss	505,353	667,600	411,991	2,265,962	2,302,417	809,706	253,531	7,216,560
Financial investments at fair value through other comprehensive income	1,458,081	259,215	362,393	726,075	11,492,176	3,714,002	744,815	18,756,757
Financial investments at amortised cost	–	284,641	550,239	45,000	1,332,738	6,825,148	–	9,037,766
Loans, advances and financing	1,290,545	774,384	503,986	27,439,269	18,134,097	69,923,404	–	118,065,685
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	376,523	–	376,523
Deferred tax assets	–	–	–	–	–	–	218,551	218,551
Investments in associates and joint ventures	–	–	–	–	–	–	604,542	604,542
Other assets	1,535,578	215,135	121,741	220,796	321,007	470,976	86	2,885,319
Reinsurance assets and other insurance receivables	82,004	92,627	105,889	108,541	176,755	14,889	–	580,705
Property and equipment	–	–	–	–	–	–	180,968	180,968
Right-of-use assets	–	–	–	–	210	–	189,162	189,372
Intangible assets	–	–	–	–	–	–	1,399,912	1,399,912
Assets held for sale	–	–	–	2,324	–	–	–	2,324
Total assets	18,131,158	3,668,487	2,096,189	30,882,348	34,126,776	82,362,380	3,591,567	174,858,905
Liabilities								
Deposits from customers	70,977,138	19,799,655	14,450,588	15,645,791	1,719,678	–	–	122,592,850
Investment accounts of customers	131,547	233,119	13,195	–	–	–	–	377,861
Deposits and placements of banks and other financial institutions	3,303,275	3,628,895	1,142,337	577,198	692,308	550,572	–	9,894,585
Securities sold under repurchase agreements	751,188	831,529	–	–	–	–	–	1,582,717
Recourse obligation on loans and financing sold to Cagamas Berhad	725,016	–	–	1,700,000	5,950,007	–	–	8,375,023
Derivative financial liabilities	33,176	72,581	38,754	76,941	379,691	202,420	–	803,563
Term funding	45,267	62,511	63,582	55,100	1,653,637	–	–	1,880,097
Debt capital	–	–	–	–	250,000	4,145,000	–	4,395,000
Deferred tax liabilities	–	–	–	–	–	–	8,093	8,093
Other liabilities	1,857,860	663,596	752,837	229,332	270,721	104,652	423,864	4,302,862
Insurance contract liabilities and other insurance payables	331,872	472,565	523,000	555,839	742,140	61,945	–	2,687,361
Total liabilities	78,156,339	25,764,451	16,984,293	18,840,201	11,658,182	5,064,589	431,957	156,900,012
Net gap	(60,025,181)	(22,095,964)	(14,888,104)	12,042,147	22,468,594	77,297,791	3,159,610	17,958,893

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49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk 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
2021 (Restated)								
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	1,820,894	4,147,609	–	6,043,474
Loans, advances and financing	1,936,781	145,425	489,978	25,993,675	16,771,237	65,279,408	–	110,616,504
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	200,405	96,187	207,130	173,562	35,990	13,162	2,452,201
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	23,639,489	2,831,112	2,666,148	32,101,400	28,234,147	77,041,682	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	(52,203,443)	(28,422,813)	(13,924,845)	12,399,137	22,977,108	71,126,260	3,638,956	15,590,360

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk 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
2022								
Assets								
Cash and short-term funds	717,660	–	–	–	–	–	–	717,660
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,128	1,128
Investments in subsidiaries and other investments	–	–	–	–	–	–	10,857,350	10,857,350
Other assets	11,615	–	–	–	–	–	–	11,615
Total assets	729,275	–	–	–	–	–	10,858,478	11,587,753
Liability								
Other liabilities	–	11,918	515,000	6,909	–	–	–	533,827
Total liability	–	11,918	515,000	6,909	–	–	–	533,827
Net gap	729,275	(11,918)	(515,000)	(6,909)	–	–	10,858,478	11,053,926

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

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49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk 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
2022								
Liabilities								
Deposits from customers	71,552,380	19,952,383	14,566,845	15,768,083	1,731,829	–	–	123,571,520
Investment accounts of customers	135,872**	240,968	22,062	261,620	–	–	–	660,522
Deposits and placements of banks and other financial institutions	3,621,931	3,660,190	1,151,397	298,339	723,014	554,805	–	10,009,676
Securities sold under repurchase agreements	753,639	834,001	–	–	–	–	–	1,587,640
Recourse obligation on loans and financing sold to Cagamas Berhad	738,522	69,056	36,569	1,805,935	6,071,283	–	–	8,721,365
Derivative financial liabilities	51,961	75,793	80,856	149,513	412,731	64,706	–	835,560
Term funding	45,351	69,448	80,339	79,133	1,732,004	–	–	2,006,275
Debt capital	16,694	33,942	51,191	1,331,039	3,422,064	–	–	4,854,930
Other liabilities*	1,783,908	639,810	632,618	198,001	124,961	43,905	423,864	3,847,067
Insurance contract liabilities and other insurance payables	338,001	481,621	532,505	568,151	765,011	63,958	–	2,749,247
Total undiscounted liabilities	79,038,259	26,057,212	17,154,382	20,459,814	14,982,897	727,374	423,864	158,843,802
Contingent liabilities	1,138,378	851,373	883,919	1,801,752	3,198,710	128,369	–	8,002,501
Commitments	6,124,536	1,014,378	2,001,065	2,973,847	950,023	12,124,508	–	25,188,357
Total commitments and guarantees	7,262,914	1,865,751	2,884,984	4,775,599	4,148,733	12,252,877	–	33,190,858

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk 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
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

* The balances had included the undiscounted contractual payments for lease liabilities and excluded the non-financial liabilities. Details maturity analysis for lease commitments is disclosed in Note 27(e).

** The balance includes current accounts without maturity as the investment accounts are available for customer redemption on-demand.

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
2022								
Liability								
Other liabilities	–	11,918	515,000	6,909	–	–	–	533,827
Total undiscounted liability	–	11,918	515,000	6,909	–	–	–	533,827

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

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 Limits • Historical Stress Loss ("HSL")	• Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limits • 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 controls • 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 Limits) 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.

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

Traded Market Risk ("TMR") (cont'd.)

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk ("NTMR")

NTMR refers to interest rate risk/rate of return risk in the banking book including those arising from balance sheet management activities as covered under the risk appetite.

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The 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 Triggers • EaR Triggers
Monitoring/Review	• Monitor controls • 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 the 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 monthly 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.

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 Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using 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.

IBOR reform

Following the decision by global regulators to phase out IBORs to replace them with alternative reference rates (or risk-free rates ("RFRs")) as part of the IBOR reform, the Group has established a IBOR Project Steering Committee ("PSC") to oversee and manage the transition for any of its legacy contracts that could be affected by the transition. The project is chaired by the Group CFO 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.

The Group has successfully completed the enhancement of the impacted systems and have in place detailed plans, processes and procedures to support the LIBOR transition to RFRs which ceased by 31 December 2021. The Group is confident that it has the operational capability to process the remaining IBORs transitions to RFRs for those benchmarks rates such as USD that will cease to be available after 30 June 2023.

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.)

IBOR reform (cont'd.)

IBORs benchmark reform exposes the Group to various risks, which the project continues to manage and monitor closely. The project team has assessed these risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties on the amendments of legal documentations to have adequate fallback provisions into existing legacy contracts necessary to effect IBOR reform;
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if a LIBOR ceases to be available;
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Awareness and preparation risk by staff due to complex compounding approaches and payment conventions.

The following table is exposure that have yet to transition from IBOR to RFRs as at 31 March 2022:

Group	Non-derivatives financial assets carrying value RM'000	Derivatives nominal amount RM'000
USD London Interbank Offered Rate ("LIBOR")	3,160,275	9,496,668

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 zakat and 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.

	2022 IRR/ROR		2021 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 zakat and taxation	(94,057)	101,304	(251,459)	275,809
Non-traded market risk				
Impact on profit before zakat and taxation	808,305	(807,972)	755,405	(755,073)
Impact on equity	(523,034)	557,193	(499,951)	538,289

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.)

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 zakat and 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.

	2022 Currency rate		2021 Currency rate	
Group	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before zakat and taxation				
USD	(31,416)	31,416	(43,133)	43,133
SGD	6,555	(6,555)	10,277	(10,277)
EUR	(1,359)	1,359	769	(769)
JPY	(581)	581	(402)	402
GBP	2,597	(2,597)	471	(471)
HKD	37,647	(37,647)	43,915	(43,915)
Others	2,067	(2,067)	902	(902)
Impact on equity				
USD	27,196	(27,196)	29,566	(29,566)
EUR	58	(58)	55	(55)

(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 zakat and 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.

	2022 Equity price		2021 Equity price	
Group	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before zakat and taxation	112,160	(112,160)	108,909	(108,909)

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) • Review of past operational losses and incidences data • Regulators' and Auditors' review and feedback
Assessment/ Measurement	• Risk and Control Self Assessment ("RCSA") • The inherent and residual risks are assessed based on the probability and impact of activity undertaken
Control/ Mitigation	Several ORM tools are used to mitigate the risks identified • Incident Management and Data Collection ("IMDC") • Key Risk Indicators ("KRI") • Key Control Testing ("KCT") • Root cause analysis • Scenario Analysis • 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 operational risk framework adherence • Challenging the periodical review or updating of the RCSA (risk profile)/KRIs/ KCTs of all Line of Business and entity • Trigger by adverse change in circumstances (COVID-19) • Change management process review

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 Note 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 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 IMDC, KRI and KCT:

- 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 FLOD 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, ORM training and reporting of operational risk triggers, breaches, 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 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 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 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.
- Root cause analysis is conducted by the Operational Risk Relationship Managers within Group Operational Risk to prevent recurrence of operational risk incidents.
- Scenario analysis is a forward-looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMCD and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

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.

49. RISK MANAGEMENT (CONT'D.)

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

49.5.1 Business Continuity Management ("BCM") (cont'd.)

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.

49.6 Cyber Risk Management

Cybersecurity risks remain a persistent threat for the financial industry. The constantly evolving nature and sophistication of cyber threats and attack vectors calls for increased vigilance, readiness and ability to respond 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 programmes also remains a priority.

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. The Group's technology risk management capabilities include oversight over infrastructure security risk, data leakage risk, application security risk and third party security risk.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
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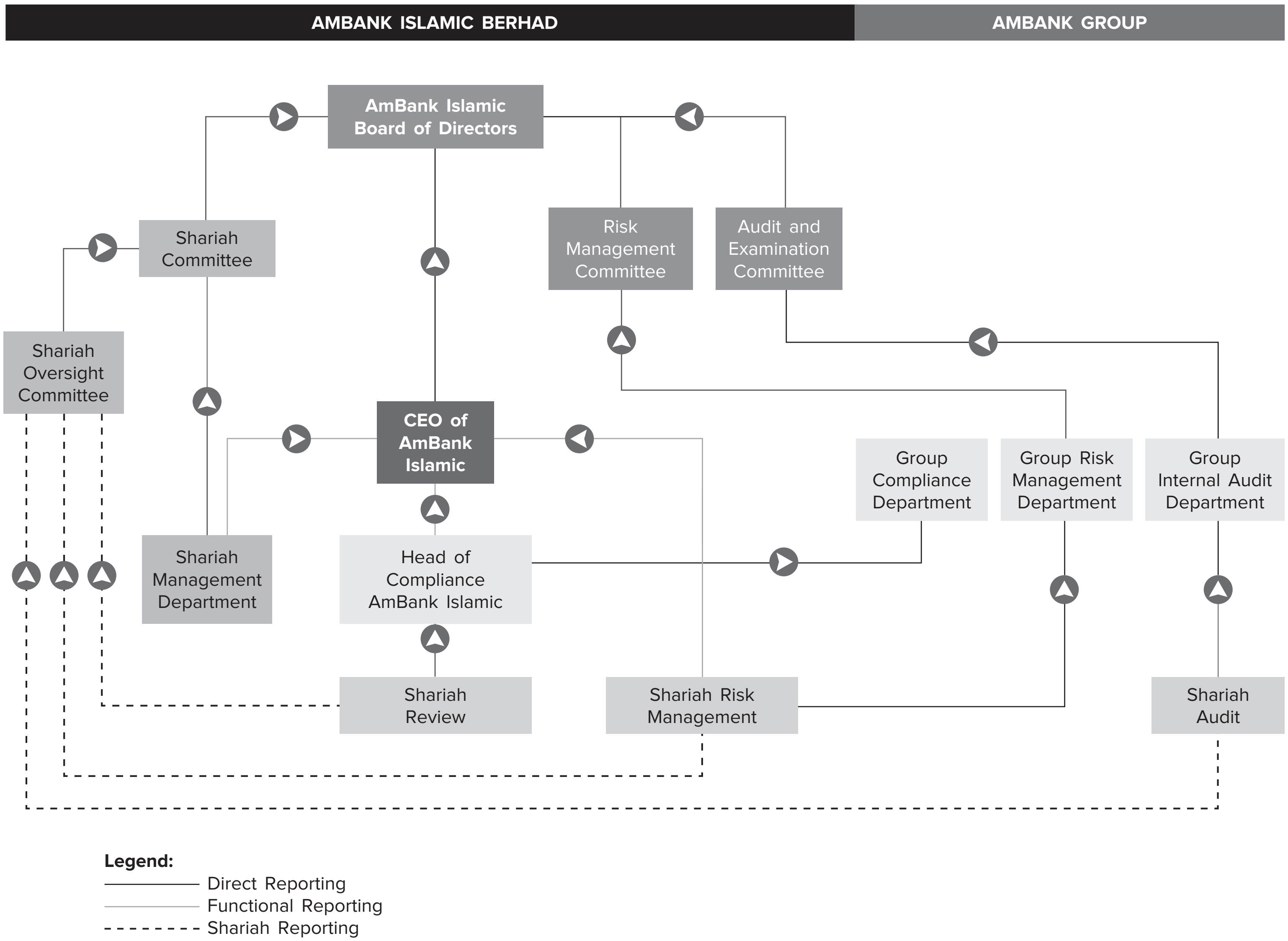
49. RISK MANAGEMENT (CONT'D.)

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 requirements.

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

Board of Directors

The Board is 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 role through various committees such as the Audit and Examination Committee, Risk Management Committee and the Shariah Committee.

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

RMC is a Board committee responsible for assisting the Board in ensuring that risk management (including Shariah risk management) controls and processes are in place.

Shariah Committee

The Shariah Committee is responsible 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 the 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 incidents as well as treatment of any Shariah non-compliant income.

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 the necessary measures for implementation. The Senior Management is also responsible in establishing the infrastructure and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Management Department

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

NOTES TO THE FINANCIAL STATEMENTS
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49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

AmBank Islamic (cont'd.)

Shariah Risk Management

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

The management of Shariah risk is executed through the three lines of defence which are:

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

Shariah Review

The Shariah Review Section is accountable to the Head of Compliance, AmBank Islamic 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 which are predominantly transactional in nature, with Shariah requirements.

Shariah Audit

The Shariah Audit Section is accountable to the AEC with Shariah reporting to the Shariah Oversight Committee. The Shariah Audit Section is a dedicated team within the Group Internal Audit Department and 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. The Shariah Audit's scope includes but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

AmInvestment Bank

Upon notification to BNM, with effect from 15 June 2021, AmInvestment Bank had ceased to carry out Islamic banking business.

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

Shariah Non-Compliant Incidents and Income

AmBank Islamic

For the financial year ended 31 March 2022, there were no Shariah non-compliant ("SNC") incident.

For the financial year ended 31 March 2021, there were two (2) SNC incidents involving SNC income of approximately RM353,000.

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**
2022		
Financial Assets		
Financial investments at amortised cost	9,037,766	9,538,631
Loans, advances and financing[1]	13,335,902	12,118,037
	22,373,668	21,656,668
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	8,375,023	8,880,674
Term funding	1,880,097	1,832,886
Debt capital	4,395,000	4,425,522
	14,650,120	15,139,082

	Group	
	Carrying Amount RM'000	**Fair Value RM'000**
2021 (Restated)		
Financial Assets		
Financial investments at amortised cost	6,043,474	6,173,297
Loans, advances and financing[1]	14,389,622	12,627,575
	20,433,096	18,800,872
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

[1] excluding loans, advances and financing of RM104,729.8 million (2021: RM96,226.9 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
2022				
Financial assets measured at fair value				
Derivative financial assets	2,090	819,283	–	821,373
Financial assets at fair value through profit or loss				
– Money market securities	–	2,173,041	–	2,173,041
– Shares	1,124,249	–	31	1,124,280
– Unit trusts	177,091	1,128	–	178,219
– Quoted corporate bonds and sukuk	–	13,315	–	13,315
– Unquoted corporate bonds and sukuk	–	3,727,705	–	3,727,705
Financial investments at fair value through other comprehensive income				
– Money market securities	–	8,498,176	–	8,498,176
– Shares	–	–	675,089	675,089
– Unquoted corporate bonds and sukuk	–	9,583,492	–	9,583,492
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	9,538,541	90	9,538,631
Loans, advances and financing	–	12,118,037	–	12,118,037
	1,303,430	46,472,718	675,210	48,451,358
Financial liabilities measured at fair value				
Derivative financial liabilities	26,965	776,598	–	803,563
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	8,880,674	–	8,880,674
Term funding	–	1,832,886	–	1,832,886
Debt capital	–	4,425,522	–	4,425,522
	26,965	15,915,680	–	15,942,645

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
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	–	6,173,207	90	6,173,297
Loans, advances and financing	–	12,627,575	–	12,627,575
	1,279,315	45,474,003	686,916	47,440,234
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

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,128	–	1,128

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

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 2.5% (2021: 2.4%) 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
2022			
Balance at beginning of the financial year	686,792	34	686,826
Total gains recognised in other comprehensive income	3,148	–	3,148
Loss on revaluation taken up in statements of profit or loss	–	(3)	(3)
Additions	6	–	6
Disposals	(14,857)	–	(14,857)
Balance at end of the financial year	675,089	31	675,120

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

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	2022 RM'000	2021 RM'000
Financial investments at FVOCI:		
Total gains included in:		
– fair value reserve in statements of comprehensive income	3,148	93,242
Financial assets at FVTPL:		
Total (loss)/gain included in:		
– investment and trading income in statements of profit or loss	(3)	136

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 and 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.

Notes:

(i) 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.

(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 2022									
External net income	2,142,617	660,255	1,055,301	311,601	224,692	150,859	587,872	(468,182)	4,665,015
Intersegments net income	(469,608)	(101,827)	(371,242)	290,816	(14,930)	–	(16,649)	683,440	–
	1,673,009	558,428	684,059	602,417	209,762	150,859	571,223	215,258	4,665,015
Net interest and funding income	1,416,825	442,604	552,099	495,379	56,622	1,325	107,981	202,412	3,275,247
Other income	256,892	115,824	131,960	107,038	153,140	149,534	423,580	7,709	1,345,677
Share in results of associates and joint ventures	(708)	–	–	–	–	–	39,662	5,137	44,091
Net income	1,673,009	558,428	684,059	602,417	209,762	150,859	571,223	215,258	4,665,015
Other operating expenses	(839,747)	(153,041)	(174,460)	(79,638)	(107,662)	(68,439)	(319,418)	(351,822)	(2,094,227)
of which:									
Depreciation of property and equipment	(17,298)	(1,840)	(1,373)	(321)	(825)	(206)	(4,079)	(36,959)	(62,901)
Depreciation of right-of-use assets	–	–	–	–	–	–	(12,449)	(65,435)	(77,884)
Amortisation of intangible assets	(21,902)	(847)	(5,545)	(2,878)	(635)	(176)	(18,953)	(56,259)	(107,195)
Profit/(Loss) before impairment losses	833,262	405,387	509,599	522,779	102,100	82,420	251,805	(136,564)	2,570,788
(Allowances for)/Writeback of impairment on loans, advances and financing	(167,430)	(43,369)	(364,092)	–	12,201	–	–	248,511	(314,179)
(Allowances for)/Writeback of impairment on other assets	(249)	–	(468,111)	4,780	(458)	(306)	1,681	192,226	(270,437)
Provision for commitments and contingencies – writeback/(charge)	9,877	(935)	(185,596)	–	–	–	–	(334)	(176,988)
Other recoveries/(write-offs), net	140	–	–	–	47	–	(31)	30	186
Impairment of investment in associate	–	–	–	–	–	–	–	(4,625)	(4,625)
Profit/(Loss) before taxation and zakat	675,600	361,083	(508,200)	527,559	113,890	82,114	253,455	299,244	1,804,745
Taxation and zakat	(160,782)	(82,983)	128,060	(110,427)	(25,769)	(16,687)	(26,334)	85,116	(209,806)
Profit/(Loss) for the financial year	514,818	278,100	(380,140)	417,132	88,121	65,427	227,121	384,360	1,594,939
Other information									
Total segment assets	68,443,901	18,553,355	31,974,239	46,583,841	2,780,261	140,188	6,029,693	353,427	174,858,905
Total segment liabilities	54,844,327	15,430,869	15,941,681	51,589,535	1,653,096	36,228	3,072,849	14,331,427	156,900,012
Cost to income ratio	50.2%	27.4%	25.5%	13.2%	51.3%	45.4%	55.9%	>100.0%	44.9%
Gross loans, advances and financing	68,396,170	18,735,657	31,063,397	–	1,883,974	–	393	(86,330)	119,993,261
Net loans, advances and financing	67,289,770	18,541,363	30,464,461	–	1,883,919	–	323	(114,151)	118,065,685
Impaired loans, advances and financing	893,471	265,966	516,552	–	55	–	–	–	1,676,044
Total deposits	54,140,217	15,268,001	15,553,315	47,994,239	854,837	–	–	(1,323,174)	132,487,435
Additions to:									
Property and equipment	7,043	292	544	363	800	254	3,043	13,086	25,425
Intangible assets	16,567	450	10,056	12,988	852	711	7,027	26,358	75,009

NOTES TO THE FINANCIAL STATEMENTS
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51. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group Treasury & Markets RM'000	Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
For the financial year ended 31 March 2021 (Restated)									
External net income	2,016,075	627,708	1,094,710	319,103	211,367	136,914	677,262	(530,684)	4,552,455
Intersegments net income	(418,280)	(121,146)	(467,353)	446,125	(9,313)	–	(17,673)	587,640	–
	1,597,795	506,562	627,357	765,228	202,054	136,914	659,589	56,956	4,552,455
Net interest and funding income	1,327,766	386,456	524,863	481,227	45,754	1,065	112,587	55,664	2,935,382
Other income	271,349	120,106	102,494	284,001	156,300	135,849	503,102	59	1,573,260
Share in results of associates and joint ventures	(1,320)	–	–	–	–	–	43,900	1,233	43,813
Net income	1,597,795	506,562	627,357	765,228	202,054	136,914	659,589	56,956	4,552,455
Other operating expenses	(865,040)	(152,055)	(184,265)	(84,074)	(111,388)	(64,639)	(356,642)	(314,132)	(2,132,235)
of which:									
Depreciation of property and equipment	(21,007)	(1,877)	(1,745)	(144)	(902)	(222)	(5,972)	(38,023)	(69,892)
Depreciation of right-of-use assets	–	–	–	–	–	–	(12,161)	(70,181)	(82,342)
Amortisation of intangible assets	(31,145)	(847)	(7,485)	(1,479)	(660)	(188)	(19,102)	(49,789)	(110,695)
Profit/(Loss) before impairment losses and settlement	732,755	354,507	443,092	681,154	90,666	72,275	302,947	(257,176)	2,420,220
(Allowances for)/Writeback of impairment on loans, advances and financing	(538,815)	(27,800)	(220,482)	–	3,807	–	–	(129,945)	(913,235)
Writeback of/(Allowances for) impairment on other assets	376	–	(11,275)	(858)	295	(143)	6,208	(183,288)	(188,685)
Provision for commitments and contingencies – writeback/(charge)	4,718	(33,238)	(33,855)	–	–	–	–	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	293,469	185,474	680,296	94,779	72,132	305,495	(5,314,178)	(3,483,499)
Taxation and zakat	(47,985)	(68,089)	(49,117)	(150,726)	(20,857)	(14,403)	(29,094)	151,676	(228,595)
Profit/(Loss) for the financial year	151,049	225,380	136,357	529,570	73,922	57,729	276,401	(5,162,502)	(3,712,094)
Other information									
Total segment assets	64,613,184	17,144,289	30,746,765	48,755,463	2,658,672	130,482	5,775,378	354,021	170,178,254
Total segment liabilities	48,123,330	12,491,541	14,389,694	59,956,315	1,097,055	24,350	3,363,322	15,142,288	154,587,895
Cost to income ratio	54.1%	30.0%	29.4%	11.0%	55.1%	47.2%	54.1%	>100.0%	46.8%
Gross loans, advances and financing	64,787,014	17,278,220	28,855,543	–	1,869,847	–	525	(98,874)	112,692,275
Net loans, advances and financing	63,602,326	17,129,856	28,389,638	–	1,869,469	–	456	(375,241)	110,616,504
Impaired loans, advances and financing	881,852	260,171	627,919	–	378	–	–	–	1,770,320
Total deposits	47,537,095	12,329,935	14,135,505	56,865,878	615,236	–	–	(1,019,576)	130,464,073
Additions to:									
Property and equipment	16,349	113	286	1,279	966	78	3,736	16,900	39,707
Intangible assets	22,455	596	3,637	9,596	1,361	252	10,705	43,814	92,416

52. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022

	General insurance fund		Shareholders' funds and Others		Total*	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS						
Cash and short-term funds	201,231	137,680	104,449	128,127	305,680	265,807
Deposits and placements with banks and other financial institutions	20,096	20,180	–	–	20,096	20,180
Financial assets at fair value through profit or loss	2,435,614	2,397,597	4,532,591	4,511,146	3,551,434	3,498,507
Loans and advances	323	456	–	–	323	456
Deferred tax assets	44,264	23,005	–	–	44,264	23,005
Investment in a subsidiary	–	–	1,708,733	1,708,733	–	–
Other assets	1,368,669	1,193,820	62,994	59,000	114,944	112,954
Reinsurance assets and other insurance receivables	580,705	432,684	–	–	580,705	432,684
Property and equipment	12,681	13,764	(59)	(59)	12,622	13,705
Right-of-use assets	13,748	45,682	–	–	13,748	45,682
Intangible assets	37,608	45,502	54,769	58,803	871,304	883,231
Assets held for sale	1,562	1,562	762	762	2,324	2,324
TOTAL ASSETS	4,716,501	4,311,932	6,464,239	6,466,512	5,517,444	5,298,535
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	–	–	–	487,170	–	487,170
Deferred tax liabilities	–	–	31,539	59,631	31,539	59,631
Other liabilities	349,729	329,495	1,320,498	1,147,445	353,949	337,514
Insurance contract liabilities and other insurance payables	2,687,361	2,479,007	–	–	2,687,361	2,479,007
Total Liabilities	3,037,090	2,808,502	1,352,037	1,694,246	3,072,849	3,363,322
Share capital**	–	–	6,212,949	5,642,440	2,121,931	1,599,148
Reserves	1,679,411	1,503,430	(1,100,747)	(870,174)	322,664	336,065
Equity attributable to equity holders of the Company	1,679,411	1,503,430	5,112,202	4,772,266	2,444,595	1,935,213
TOTAL LIABILITIES AND EQUITY	4,716,501	4,311,932	6,464,239	6,466,512	5,517,444	5,298,535

* after elimination on consolidation

** Comprising:

	Note	2022 RM'000	2021 RM'000
Ordinary share capital		1,721,931	1,030,000
Preference share capital	16(a)(3)(iii)	–	169,148
Transfer from retained earnings arising from redemption of preference shares	16(a)(4)(ii)	400,000	400,000
		2,121,931	1,599,148

Note:
Shareholders' funds and Others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

52. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Group	General insurance fund		Shareholders' funds and Others		Total*	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	2,468	2,244	122,752	131,449	125,220	133,693
Interest expense	–	–	(17,239)	(21,106)	(17,239)	(21,106)
Net interest income	2,468	2,244	105,513	110,343	107,981	112,587
Income from insurance business	1,334,847	1,398,558	–	–	1,334,847	1,398,558
Insurance claims and commissions**	(874,929)	(921,918)	–	–	(874,929)	(921,918)
Net income from insurance business	459,918	476,640	–	–	459,918	476,640
Other operating income	56,068	90,443	184,792	278,357	(36,338)	26,462
Net income	518,454	569,327	290,305	388,700	531,561	615,689
Other operating expenses	(309,214)	(346,296)	(10,204)	(10,346)	(319,418)	(356,642)
Operating profit	209,240	223,031	280,101	378,354	212,143	259,047
Writeback of allowance for impairment:						
– Reinsurance assets and insurance receivables	1,681	6,208	–	–	1,681	6,208
Other write-offs, net	(31)	(3,660)	–	–	(31)	(3,660)
Profit before taxation	210,890	225,579	280,101	378,354	213,793	261,595
Taxation	(34,049)	(34,139)	7,715	5,045	(26,334)	(29,094)
Profit for the financial year	**176,841**	**191,440**	**287,816**	**383,399**	**187,459**	**232,501**

* After elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM16,649,000 (2021: RM17,673,000)

52. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group 2022 RM'000	Group 2021 RM'000
Income from general insurance		1,334,847	1,398,558
	(a)	1,334,847	1,398,558
Insurance claims and commissions			
Insurance commissions		131,020	127,210
Insurance claims	(b)	727,260	777,035
		858,280	904,245
		476,567	494,313
(a) Income from general insurance business			
Gross Premium			
– insurance contract		1,518,013	1,559,472
– change in unearned premium provision		(11,323)	616
		1,506,690	1,560,088
Premium ceded			
– insurance contract		(175,215)	(164,772)
– change in unearned premium provision		3,372	3,242
		(171,843)	(161,530)
		1,334,847	1,398,558
(b) Insurance claims			
– gross benefits and claims paid		742,971	850,870
– claims ceded to reinsurers		(72,786)	(77,372)
– change in contract liabilities-insurance contract		190,985	(13,468)
– change in contract liabilities ceded to reinsurers-insurance contract		(133,910)	17,005
		727,260	777,035

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

52. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE RECEIVABLES

	Group	
	2022 RM'000	2021 RM'000
Amount owing by reinsurance and cedants	9,639	5,887
Due premiums including agents/brokers and co-insurers balances	71,041	65,737
Accumulated impairment losses	(18,200)	(18,732)
	62,480	52,892
The movement in accumulated impairment losses is as follows:		
Balance at beginning of the financial year	18,732	24,755
Writeback for the financial year	(532)	(6,023)
Balance at end of the financial year	18,200	18,732

(V) INSURANCE PAYABLES

	Group	
	2022 RM'000	2021 RM'000
Amount due to agents and intermediaries	19,136	21,812
Amount due to reinsurers and cedants	42,941	34,220
	62,077	56,032

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2022				
Provision for claims reported by policyholders		1,147,696	(344,647)	803,049
Provision for incurred but not reported claims ("IBNR")		610,904	(76,303)	534,601
Provision for risk margin for adverse deviation ("PRAD")		146,256	(36,895)	109,361
Provision for outstanding claims	(a)	1,904,856	(457,845)	1,447,011
Less: Accumulated impairment loss on reinsurance assets	(c)	–	926	926
		1,904,856	(456,919)	1,447,937
Provision for unearned premiums	(b)	720,428	(61,306)	659,122
		2,625,284	(518,225)	2,107,059
(a) Provision for outstanding claims				
Balance at beginning of the financial year		1,713,871	(323,935)	1,389,936
Claims incurred in the current accident year		1,237,919	(255,786)	982,133
Movements in claims incurred in prior accident years		(300,182)	49,090	(251,092)
Claims incurred during the year (treaty inwards claims)		(3,781)	–	(3,781)
Claims paid during the financial year		(742,971)	72,786	(670,185)
Balance at end of the financial year		1,904,856	(457,845)	1,447,011
(b) Provision for unearned premiums				
Balance at beginning of the financial year		709,104	(57,932)	651,172
Premiums written in the financial year		1,518,013	(175,215)	1,342,798
Premiums earned during the financial year		(1,506,689)	171,841	(1,334,848)
Balance at end of the financial year		720,428	(61,306)	659,122
(c) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				2,075
Writeback for the financial year				(1,149)
Balance at the end of the financial year				926

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (CONT'D.)

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	(a)	1,713,871	(323,935)	1,389,936
Less: Accumulated impairment loss on reinsurance assets	(c)	–	2,075	2,075
		1,713,871	(321,860)	1,392,011
Provision for unearned premiums	(b)	709,104	(57,932)	651,172
		2,422,975	(379,792)	2,043,183

(a) Provision for outstanding claims

	Gross RM'000	Reinsurance RM'000	Net RM'000
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

(b) Provision for unearned premiums

	Gross RM'000	Reinsurance RM'000	Net RM'000
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

(c) Accumulated impairment loss on reinsurance assets

	Net RM'000
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.)

(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 2022:

Accident year	Before 2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Subtotal RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178	1,243,368	1,092,370	1,237,920			
One year later	1,044,184	1,029,824	1,149,853	1,084,565	1,096,000	1,186,034	950,761				
Two years later	998,910	1,007,382	1,098,274	1,021,983	1,044,485	1,099,976					
Three years later	933,819	916,885	1,032,314	970,496	988,064						
Four years later	901,251	875,653	964,732	961,220							
Five years later	883,481	873,158	960,255								
Six years later	869,500	869,786									
Seven years later	894,260										
Current estimate of accumulative claims incurred	894,260	869,786	960,255	961,220	988,064	1,099,976	950,761	1,237,920			
At the end of accident year	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)	(454,994)	(372,078)	(306,934)			
One year later	(637,079)	(631,990)	(728,720)	(697,415)	(689,370)	(714,911)	(579,927)				
Two years later	(755,021)	(743,674)	(841,972)	(812,808)	(796,663)	(818,530)					
Three years later	(813,229)	(809,250)	(891,723)	(867,295)	(854,377)						
Four years later	(834,470)	(825,028)	(916,406)	(901,221)							
Five years later	(843,008)	(835,583)	(925,811)								
Six years later	(849,203)	(840,833)									
Seven years later	(852,058)										
Cumulative payments to-date	(852,058)	(840,833)	(925,811)	(901,221)	(854,377)	(818,530)	(579,927)	(306,934)			
Gross general insurance claims liabilities (direct and facultative)	42,202	28,953	34,444	59,999	133,687	281,446	370,834	930,986	1,882,551	22,305	1,904,856

* Malaysian Motor Insurance Pool

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

52. INSURANCE BUSINESS (CONT'D.)

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

Claims development table (cont'd.)

Net general insurance claims liabilities for 2022:

Accident year	Before 2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Subtotal RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,089,590	997,614	1,093,342	1,007,302	1,003,559	1,062,879	963,685	982,133			
One year later	951,089	959,398	1,058,099	977,750	973,556	1,032,528	847,316				
Two years later	907,365	924,949	1,008,222	931,761	935,655	957,604					
Three years later	844,427	850,963	947,314	875,023	886,583						
Four years later	809,285	809,037	886,015	874,143							
Five years later	797,601	805,537	882,689								
Six years later	791,601	805,472									
Seven years later	799,488										
Current estimate of accumulative claims incurred	799,488	805,472	882,689	874,143	886,583	957,604	847,316	982,133			
At the end of accident year	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)	(443,656)	(350,808)	(294,809)			
One year later	(593,745)	(592,213)	(672,310)	(644,402)	(637,658)	(665,818)	(527,676)				
Two years later	(694,479)	(695,841)	(776,164)	(747,218)	(729,367)	(763,630)					
Three years later	(746,892)	(751,734)	(823,773)	(797,115)	(782,500)						
Four years later	(765,158)	(769,553)	(845,560)	(822,107)							
Five years later	(773,178)	(779,160)	(854,303)								
Six years later	(778,865)	(785,321)									
Seven years later	(780,376)										
Cumulative payments to-date	(780,376)	(785,321)	(854,303)	(822,107)	(782,500)	(763,630)	(527,676)	(294,809)			
Net general insurance claims liabilities (direct and facultative)	19,112	20,151	28,386	52,036	104,083	193,974	319,640	687,324	1,424,706	22,305	1,447,011

52. INSURANCE BUSINESS (CONT'D.)

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

Claims development table (cont'd.)

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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.)

(VIII) REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARE

In the financial year ended 31 March 2013, AmGeneral Holdings Berhad ("AMGH") (a 51% owned subsidiary) via AMAB Holdings Sdn Bhd ("AMABH") 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.

On 19 January 2022, AMGH issued a total 60 million units of ordinary shares as a result of the conversion of 60 million units of RCCPS at RM11.53 per share which amounted to RM691.9 million.

The effect from the conversion of RCCPS into new issuance of ordinary shares in AMGH is as follows:

	No. of shares ('000)	Amount (RM'000)
Existing ordinary shares	130,000	1,030,000
Issuance of new ordinary shares after the conversion of RCCPS	60,000	691,931
Share capital after the new issuance of ordinary shares	190,000	1,721,931

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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	
2022						
Derivative financial assets	821,373	–	821,373	(352,677)	(229,098)	239,598
Other assets	2,908,343	(23,024)	2,885,319	(46,470)	(14,043)	2,824,806
	3,729,716	(23,024)	3,706,692	(399,147)	(243,141)	3,064,404
Derivative financial liabilities	803,563	–	803,563	(352,677)	(446,809)	4,077
Other liabilities	4,325,886	(23,024)	4,302,862	–	–	4,302,862
	5,129,449	(23,024)	5,106,425	(352,677)	(446,809)	4,306,939
2021						
Derivative financial assets	1,291,190	–	1,291,190	(773,726)	(145,035)	372,429
Other assets	2,477,077	(24,876)	2,452,201	(170,489)	(16,435)	2,265,277
	3,768,267	(24,876)	3,743,391	(944,215)	(161,470)	2,637,706
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

54. ASSETS HELD FOR SALE

	Group	
	2022 RM'000	2021 RM'000
Asset held for sale		
Proposed disposal of property	2,324	2,324

55. RESTATEMENT OF COMPARATIVE INFORMATION

During the current financial year, the Group conducted a review on the classification of its unrated bonds and sukuk and reclassified the instruments from loans, advances and financing to financial investments at amortised cost to align the presentation of its debt securities as financial investments. The reclassification resulted in changes to the comparative financial information to conform with current year's presentation, which resulted in the following financial effects to the statements of the Group:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
As at 31 March 2021			
(i) Reconciliation of statements of financial position			
Financial investments at amortised cost	4,192,424	1,851,050	6,043,474
Loans, advances and financing	112,478,319	(1,861,815)	110,616,504
Other assets	2,441,436	10,765	2,452,201
(ii) Reconciliation of statements of profit or loss			
Allowances for impairment on loans, advances and financing	1,116,936	(203,701)	913,235
(Writeback of)/Allowances for impairment on financial investments	(8,476)	203,701	195,225
(iii) Reconciliation of statements of cash flows			
Cash flows from operating activities:			
(Less)/Add adjustments for:			
(Writeback of)/Allowances for impairment on financial investments	(8,476)	203,701	195,225
Allowance for expected credit losses on loans, advances and financing, net	1,468,550	(203,701)	1,264,849
(Increase)/Decrease in operating assets:			
Loans, advances and financing	(8,300,005)	2,065,516	(6,234,489)
Other assets	500,104	(10,765)	489,339
Cash flows from investing activities			
Disposal of financial investments	2,715,005	(2,054,751)	660,254
Islamic Banking Business			
As at 31 March 2021			
(i) Reconciliation of statement of financial position			
Financial investments at amortised cost	1,392,155	794,872	2,187,027
Financing and advances	35,389,517	(795,679)	34,593,838
Other assets	342,261	807	343,068
(ii) Reconciliation of statement of profit or loss			
Allowances for impairment on financing and advances – net	515,864	(188,686)	327,178
(Writeback of)/Allowances for impairment on financial investments	(10,598)	188,686	178,088
(iii) Reconciliation of statement of cash flows			
Cash flows from operating activities:			
(Less)/Add adjustments for:			
Allowances for impairment on financing and advances	615,506	(188,686)	426,820
(Writeback of)/Allowances for ECL on financial investments	(10,598)	(188,686)	178,088
(Increase)/Decrease in operating assets:			
Financing and advances	(4,199,819)	984,365	(3,215,454)
Other assets	26,086	(807)	25,279
Cash flows from investing activities			
Disposal/(Purchase) of financial investments at amortised cost	298,822	(983,558)	(684,736)

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

56. OPERATIONS OF ISLAMIC BANKING

Upon notification to BNM, with effect from 15 June 2021, the Company's wholly-owned subsidiary, AmInvestment Bank Berhad ("AmInvestment") no longer required to disclose its operations of Islamic banking relating to stock broking and capital market activities undertaken in compliance with Shariah principles that are regulated by the Securities Commission and Bursa Malaysia Berhad. This change is also aligned to the presentation of financial information presented to management to manage the business.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	Group	
		2022 RM'000	2021 (Restated) Note 55 RM'000
ASSETS			
Cash and short-term funds	56(II)	3,599,095	9,398,989
Derivative financial assets		51,661	49,667
Financial assets at fair value through profit or loss	56(III)	986,968	2,271,667
Financial investments at fair value through other comprehensive income	56(IV)	4,450,620	4,095,135
Financial investments at amortised cost	56(V)	3,033,252	2,187,027
Financing and advances	56(VI)	38,653,868	34,593,838
Statutory deposit with Bank Negara Malaysia		167,000	113,000
Deferred tax assets	56(VII)	61,176	63,074
Other assets	56(VIII)	286,825	343,068
Property and equipment	56(IX)	363	440
Right-of-use assets	56(X)	2,066	2,351
Intangible assets	56(XI)	495	718
TOTAL ASSETS		51,293,389	53,118,974
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	56(XII)	37,590,250	41,732,511
Investment accounts of customers	56(XIII)	377,861	94,834
Deposits and placements of banks and other financial institutions	56(XIV)	3,634,435	3,177,611
Investment account due to a licensed bank	56(XV)	1,710,663	718,034
Recourse obligation on financing sold to Cagamas Berhad		1,500,000	800,000
Derivative financial liabilities		60,038	67,751
Term funding	25(a)(ii) & (c)(ii)	834,836	1,034,766
Subordinated Sukuk	26(a)(i)	1,300,000	1,300,000
Deferred tax liabilities	56(VII)	–	1,578
Other liabilities	56(XVI)	411,400	296,010
TOTAL LIABILITIES		47,419,483	49,223,095
Share capital/Capital funds		1,387,107	1,417,107
Reserves		2,486,799	2,478,772
TOTAL ISLAMIC BANKING FUNDS		3,873,906	3,895,879
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		51,293,389	53,118,974
COMMITMENTS AND CONTINGENCIES	56(XXX)	14,702,448	14,742,101

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 2022

	Note	Group 2022 RM'000	Group 2021 (Restated) Note 55 RM'000
Income derived from investment of depositors' funds	56(XVII)	1,702,082	1,620,180
Income derived from investment of investment account funds	56(XVIII)	56,219	32,073
Income derived from Islamic Banking Funds	56(XIX)	169,510	176,963
Allowances for impairment on financing and advances – net	56(XX)	(241,871)	(327,178)
Allowances for impairment on:			
– Financial investments	56(XXI)	(255,960)	(178,088)
– Other financial assets	56(XXII)	(75)	(49)
Provision for commitments and contingencies – (charge)/writeback	56(XXIII)	(8,975)	2,433
Total distributable income		1,420,930	1,326,334
Income attributable to the depositors and others	56(XXIV)	(750,266)	(777,274)
Income attributable to investment account holders	56(XXV)	(47,845)	(26,612)
Total net income		622,819	522,448
Operating expenses	56(XXVI)	(285,294)	(296,934)
Finance costs		(97,455)	(98,692)
Profit before taxation and zakat		240,070	126,822
Taxation and zakat	56(XXVII)	(51,676)	1,340
Profit for the financial year		188,394	128,162

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Group 2022 RM'000	Group 2021 RM'000
Profit for the financial year	188,394	128,162
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to statement of profit or loss		
Financial investments at FVOCI:		
– net unrealised loss for changes in fair value	(62,083)	(103)
– changes in expected credit losses	(59)	(10,838)
– net gain reclassified to profit or loss	(596)	(2,015)
– tax effect	14,873	679
Other comprehensive loss for the financial year, net of tax	(47,865)	(12,277)
Total comprehensive income for the financial year	140,529	115,885

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

Group	Share capital/ capital funds RM'000	Non-Distributable Regulatory reserve RM'000	Non-Distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
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, 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	–
At 31 March 2021	1,417,107	–	43,972	2,434,800	3,895,879
At 1 April 2021	1,417,107	–	43,972	2,434,800	3,895,879
Profit for the financial year	–	–	–	188,394	188,394
Other comprehensive loss, net	–	–	(47,865)	–	(47,865)
Total comprehensive (loss)/income for the financial year	–	–	(47,865)	188,394	140,529
Transfer to conventional fund**	(30,000)	–	–	(95,424)	(125,424)
Dividend on ordinary shares:					
– final, financial year ended 31 March 2021	–	–	–	(37,078)	(37,078)
	(30,000)	–	–	(132,502)	(162,502)
At 31 March 2022	1,387,107	–	(3,893)	2,490,692	3,873,906

* 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.

** Relates to Islamic Banking of AmInvestment Bank.

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Group	
	2022	**2021 (Restated) Note 55**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	240,070	126,822
Adjustments for:		
Accretion of discount less amortisation of premium for securities	(48,193)	(58,672)
Allowances for impairment on financing and advances (Note 56(XX))	335,811	426,820
Depreciation of right-of-use assets	285	299
Depreciation of property and equipment	133	128
Amortisation of intangible assets	359	379
Finance cost – lease liabilities	64	74
Finance cost – provision for reinstatement of leased properties	1	2
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	4,153	(17,505)
Loss on revaluation of financial assets at fair value through profit or loss	452	770
Gain on revaluation of derivatives	(9,706)	(6,127)
Unrealised loss on revaluation of hedged item arising from fair value hedge	9,087	6,177
Shares granted under Executives' Share Scheme – (writeback)/charge	(15)	1,726
Allowances for/(Writeback of) ECL on:		
– financial investments (Note 56(XXI))	255,960	178,088
– cash and short term funds (Note 56(XXII))	75	49
– commitments and contingencies (Note 56(XXIII))	8,975	(2,433)
Gain on disposal of financial investments at fair value through other comprehensive income	(596)	(2,015)
Net adjustments of COVID-19 relief measures	(54,116)	(12,130)
Operating profit before working capital changes	742,799	642,452
Decrease/(Increase) in operating assets		
Financial assets at fair value through profit or loss	1,311,863	(470,415)
Financing and advances	(4,357,066)	(3,215,454)
Statutory deposit with Bank Negara Malaysia	(54,000)	34,000
Other assets	74,489	25,279
(Decrease)/Increase in operating liabilities		
Deposits from customers	(4,142,261)	7,060,381
Investment accounts of customers	283,027	(113,892)
Deposits and placements of banks and other financial institutions	472,166	(254,267)
Investment account due to a licensed bank	992,629	29
Recourse obligation on financing sold to Cagamas Berhad	700,000	(200,000)
Term funding	(199,930)	69
Other liabilities	98,915	(261,209)
Cash (used in)/generated from operating activities	(4,077,369)	3,246,973
Zakat paid	(991)	(2,705)
Tax paid	(50,697)	(51,388)
Net cash (used in)/generated from operating activities	(4,129,057)	3,192,880

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022 (CONT'D.)

	Group	
	2022 RM'000	2021 (Restated) Note 55 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Disposal of financial investments at fair value through other comprehensive income	(409,847)	817,549
Purchase of financial investments at amortised cost	(1,102,627)	(684,736)
Purchase of property and equipment	(63)	(87)
Purchase of intangible assets	(136)	(63)
Net cash (used in)/generated from investing activities	(1,512,673)	132,663
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(37,078)	–
Rental payment for lease liabilities	(313)	(328)
Issuance of Subordinated Sukuk	250,000	400,000
Repayment of Subordinated Sukuk	(250,000)	(250,000)
Transferred to conventional operations	(120,697)	–
Net cash (used in)/generated from financing activities	(158,088)	149,672
Net (decrease)/increase in cash and cash equivalents	(5,799,818)	3,475,215
Cash and cash equivalents at beginning of the financial year	9,399,064	5,923,849
Cash and cash equivalents at end of the financial year	3,599,246	9,399,064
Cash and cash equivalents comprise:		
Cash and short-term funds (Note 56(II))	3,599,095	9,398,989
Add:		
Allowances for ECL (Note 56(II))	151	75
	3,599,246	9,399,064

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 five (5) 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 2022, there were no Shariah non-compliant ("SNC") incident.

For the financial year ended 31 March 2021, there were two (2) SNC incidents involving SNC income of approximately RM353,000.

(II) CASH AND SHORT-TERM FUNDS

	Group	
	2022 RM'000	2021 RM'000
Cash and bank balances	79,246	134,064
Less: Allowances for ECL	(151)	(75)
	79,095	133,989
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	2,790,000	9,005,000
Licensed banks	450,000	80,000
Other financial institutions	280,000	180,000
	3,599,095	9,398,989

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
2022	
Balance at beginning of the financial year	75
Allowances for ECL during the financial year	75
Financial assets derecognised	(61)
New financial assets originated	142
Net remeasurement of allowances	(6)
Foreign exchange differences	1
Balance at end of the financial year	151

	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 RM75,000 mainly due to cash and short term funds originated of RM142,000 offset by financial assets derecognition of RM61,000 and net remeasurement of allowances of RM6,000.

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

	Group	
	2022 RM'000	2021 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	636,310	1,527,211
Malaysian Government Investment Issues	32,569	171,557
	668,879	1,698,768
Unquoted Securities in Malaysia:		
Sukuk	318,089	572,899
	986,968	2,271,667

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	
	2022 RM'000	**2021 RM'000**
At fair value:		
Money market instruments:		
Malaysian Government Investment Issues	1,394,227	1,325,806
Islamic negotiable instruments of deposit	579,298	399,386
	1,973,525	1,725,192
Unquoted securities:		
In Malaysia:		
Sukuk	2,477,095	2,369,943
	4,450,620	4,095,135

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
2022				
Balance at beginning of the financial year		1,968	6,827	8,795
Net allowances for/(writeback of) ECL	56(XXI)	529	(588)	(59)
New financial asset originated		1,493	–	1,493
Financial asset derecognised		(899)	(588)	(1,487)
Net remeasurement of allowances		(65)	–	(65)
Balance at end of the financial year		2,497	6,239	8,736

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	56(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) Increase in Stage 1 ECL due to new financial assets originated offset by derecognition of financial assets and net remeasurement of allowances.

(b) Decrease in Stage 2 ECL mainly due to financial assets derecognised.

(V) FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	2022 RM'000	2021 (Restated) Note 55 RM'000
At amortised cost:		
Money Market Instruments:		
Malaysian Government Investment Issues	1,280,630	260,852
Unquoted Securities:		
In Malaysia:		
Sukuk	2,198,259	2,115,793
Less: Allowances for ECL	(445,637)	(189,618)
	3,033,252	2,187,027

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:

	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
2022					
Balance at beginning of the financial year		977	188,641	–	189,618
Net allowances for/(writeback of) ECL	56(XXI)	205	(188,641)	444,455	256,019
– Transfer to 12-month ECL (Stage 1)		382	(425)	–	(43)
– Transfer to Lifetime ECL credit impaired (Stage 3)		–	(10,016)	444,455	434,439
New financial assets originated		250	–	–	250
Financial asset derecognised		(13)	–	–	(13)
Changes in model assumptions and methodologies		–	(178,200)	–	(178,200)
Net remeasurement of allowances		(414)	–	–	(414)
Balance at end of the financial year		1,182	–	444,455	445,637

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021 (Restated)				
Balance at beginning of the financial year				
– as previously stated		283	–	283
– reclassification		409	–	409
Balance at beginning of the financial year, as restated		692	–	692
Net allowances for ECL	56(XXI)	285	188,641	188,926
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(83)	425	342
New financial assets originated		583	10,016	10,599
Changes in model assumptions and methodologies		(71)	178,200	178,129
Net remeasurement of allowances		(144)	–	(144)
Balance at end of the financial year		977	188,641	189,618

The increase in allowances for ECL mainly contributed by new impairment for unrated sukuk turned impaired during the financial year offset by reversal of forward-looking ECL provided in previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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
2022							
At amortised cost:							
Cash lines	–	617,679	–	–	578,646	–	1,196,325
Term financing	439,860	12,596,186	8,806	–	1,091,129	20,160	14,156,141
Revolving credit	27,065	3,744,672	–	–	1,128,326	–	4,900,063
Housing financing	2,589,646	8,540,970	43,458	–	–	–	11,174,074
Hire purchase receivables	3	–	–	4,255,450	–	–	4,255,453
Bills receivables	–	630,366	–	–	–	40,342	670,708
Credit card receivables	–	–	–	–	–	447,758	447,758
Trust receipts	–	381,229	–	–	–	–	381,229
Claims on customers under acceptance credits	–	1,784,824	–	–	–	353,913	2,138,737
Staff financing	–	17,862	–	–	–	–	17,862
Others	–	–	–	–	–	9,102	9,102
Gross financing and advances*	3,056,574	28,313,788	52,264	4,255,450	2,798,101	871,275	39,347,452
Allowance for impairment on financing and advances							
– Stage 1 – 12-month ECL							(61,592)
– Stage 2 – Lifetime ECL not credit impaired							(401,419)
– Stage 3 – Lifetime ECL credit impaired							(230,573)
Net financing and advances							38,653,868

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
2021 (Restated)							
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	–	–	–	–	–	37,330	37,330
Gross financing and advances*	3,282,554	23,882,588	54,122	4,003,861	3,203,928	813,365	35,240,418
Allowance for impairment on financing and advances							
– Stage 1 – 12-month ECL							(143,487)
– Stage 2 – Lifetime ECL not credit impaired							(401,459)
– Stage 3 – Lifetime ECL credit impaired							(101,634)
Net financing and advances							34,593,838

* 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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	
	2022 RM'000	2021 (Restated) RM'000
Maturing within one year	10,337,273	9,714,383
Over one year to three years	2,083,248	2,206,985
Over three years to five years	2,042,184	2,417,719
Over five years	24,884,747	20,901,331
	39,347,452	35,240,418

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
Domestic non-bank financial institutions	2,091,347	1,138,836
Domestic business enterprises		
– Small medium enterprises	7,078,754	6,645,241
– Others	7,833,699	8,296,834
Government and statutory bodies	102,813	304,227
Individuals	22,193,670	18,805,650
Other domestic entities	644	666
Foreign individuals and entities	46,525	48,964
	39,347,452	35,240,418

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	
	2022 RM'000	2021 (Restated) RM'000
Fixed rate:		
Housing financing	159,912	149,361
Hire purchase receivables	4,199,966	3,942,830
Other financing	3,516,511	3,445,508
Variable rate:		
Base rate and lending/financing rate plus	21,535,195	18,398,613
Cost-plus	9,796,311	9,136,931
Other variable rates	139,557	167,175
	39,347,452	35,240,418

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

	Group	
	2022 RM'000	2021 (Restated) RM'000
Agriculture	918,053	1,134,887
Mining and quarrying	357,563	746,356
Manufacturing	4,809,630	4,461,415
Electricity, gas and water	273,022	272,784
Construction	1,050,791	1,203,347
Wholesale, retail trade, restaurants and hotels	2,947,081	2,614,281
Transport, storage and communication	1,495,066	1,707,653
Finance and insurance	2,107,052	1,175,374
Real estate	2,184,116	2,302,705
Business activities	587,875	518,055
Education and health	377,008	248,947
Household of which:	22,240,195	18,854,614
– Purchase of residential properties	11,241,327	9,378,972
– Purchase of transport vehicles	3,915,934	3,641,530
– Others	7,082,934	5,834,112
Gross financing and advances	39,347,452	35,240,418

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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	
	2022 RM'000	2021 RM'000
Balance at beginning of the financial year	613,074	615,350
Additions during the financial year	718,754	385,160
Reclassified to non-impaired financing	(77,186)	(19,613)
Recoveries	(337,277)	(221,495)
Amount written off	(288,823)	(146,328)
Balance at end of the financial year	628,542	613,074
Gross impaired financing and advances as % of gross financing and advances	1.60%	1.74%
Financing loss coverage (including regulatory reserve)	114.3%	108.0%

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

	Group	
	2022 RM'000	2021 RM'000
Agriculture	2	44,912
Mining and quarrying	162,649	2,284
Manufacturing	51,867	30,899
Electricity, gas and water	–	100
Construction	15,724	4,295
Wholesale, retail trade, restaurants and hotels	63,135	71,058
Transport, storage and communication	3,666	40,280
Real estate	165,929	243,134
Business activities	388	5,167
Education and health	–	1,022
Household of which:	165,182	169,923
– Purchase of residential properties	119,387	118,788
– Purchase of transport vehicles	20,139	16,617
– Others	25,656	34,518
Impaired financing and advances	628,542	613,074

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
2022					
Balance at beginning of the financial year		143,487	401,459	101,634	646,580
Net (writeback of)/allowances for ECL during the year:	56(XX)	(81,909)	(42)	417,762	335,811
– Transfer to 12-month ECL (Stage 1)		2,625	(28,659)	(1,070)	(27,104)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(4,581)	37,018	(7,784)	24,653
– Transfer to Lifetime ECL credit impaired (Stage 3)		(542)	(18,470)	22,179	3,167
New financial assets originated		20,276	16,949	1,279	38,504
Net remeasurement of allowances		(37,662)	26,473	426,783	415,594
Changes in model assumptions and methodologies		(47,158)	(13,962)	–	(61,120)
Modification of contractual cash flows of financial assets		(374)	3,248	(484)	2,390
Financial assets derecognised		(14,493)	(22,639)	(23,141)	(60,273)
Foreign exchange differences		14	2	–	16
Amount written off		–	–	(288,823)	(288,823)
Balance at end of the financial year*		61,592	401,419	230,573	693,584

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 (Restated)					
Balance at beginning of the financial year					
– as previously stated		101,638	167,791	97,049	366,478
– reclassification		(409)	–	–	(409)
Balance at beginning of the financial year, as restated		101,229	167,791	97,049	366,069
Net allowances for ECL during the year:	56(XX)	42,238	233,669	150,913	426,820
– Transfer to 12-month ECL (Stage 1)		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		24,850	66,108	1,849	92,807
Net remeasurement of allowances		42,333	148,916	149,374	340,623
Changes in model assumptions and methodologies		(5,364)	(18,331)	–	(23,695)
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*		143,487	401,459	101,634	646,580

* As at 31 March 2022, the gross exposure (including profit receivable) relating to RA financing amounted to RM1,713.8 million (2021: RM719.5 million). ECL allowance relating to the RA financing which amounted to RM2.2 million (2021: RM1.9 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) – decrease of RM81.9 million mainly due to the impacts from the change in model assumptions and methodologies, change in credit risk and financial assets derecognised; partially offset by the impact from newly originated financing and advances.

(b) Lifetime ECL not credit-impaired (Stage 2) – minimal decrease of RM42,000 mainly due to the impacts from the migration of financing and advances to Stage 1 and derecognised financing and advances; partially offset by the impacts from the migration of financial and advances to Stage 2 and change in credit risk.

(c) Lifetime ECL credit-impaired (Stage 3) – increase of RM128.9 million mainly due to the impact from the change in credit risk; partially offset by the impact from written off financing and advances.

(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	
	2022 RM'000	2021 RM'000
Deferred tax assets	61,176	63,074
Deferred tax liabilities	–	(1,578)
	61,176	61,496
Deferred tax assets and liabilities prior to offsetting are summarised as follows:		
Deferred tax assets	80,813	92,282
Deferred tax liabilities	(19,637)	(30,786)
	61,176	61,496

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	Transfer to conventional fund RM'000	Balance at end of the financial year RM'000
2022					
Other temporary differences	87,150	(16,187)	–	(133)	70,830
Fair value reserve	–	–	3,988	–	3,988
Deferred income	5,132	863	–	–	5,995
Deferred tax assets	92,282	(15,324)	3,988	(133)	80,813
Excess of capital allowance over depreciation	(265)	159	–	–	(106)
Deferred charges	(17,265)	(2,266)	–	–	(19,531)
Other temporary differences	(2,371)	2,371	–	–	–
Fair value reserve	(10,885)	–	10,885	–	–
Deferred tax liabilities	(30,786)	264	10,885	–	(19,637)

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)

(VIII) OTHER ASSETS

	Group	
	2022 RM'000	2021 (Restated) RM'000
Trade debtors	–	93
Other receivables, deposits and prepayments	104,698	210,367
Profit receivable	70,527	48,676
Tax recoverable	28,916	10,689
Deferred charges	82,684	73,243
	286,825	343,068

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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
2022						
Cost						
At beginning of the financial year	528	534	817	251	20	2,150
Additions	–	–	58	5	–	63
Written off	–	–	–	(2)	–	(2)
Reclassification/adjustment	–	–	–	–	(7)	(7)
Transfer to conventional fund	–	(88)	(44)	(81)	–	(213)
Transfer from/(to) WIP intangible assets	–	–	13	–	(13)	–
At end of the financial year	528	446	844	173	–	1,991
Accumulated Depreciation						
At beginning of the financial year	251	505	711	243	–	1,710
Depreciation for the financial year	53	21	50	9	–	133
Written off	–	–	–	(2)	–	(2)
Transfer to conventional fund	–	(88)	(44)	(81)	–	(213)
At end of the financial year	304	438	717	169	–	1,628
Net Book Value						
As at 31 March 2022	224	8	127	4	–	363

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

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	
	2022 RM'000	**2021 RM'000**
Premises		
Balance at beginning of the financial year	2,793	2,902
Remeasurement	–	(109)
Balance at end of the financial year	2,793	2,793
Accumulated amortisation		
Balance at beginning of the financial year	442	143
Depreciation charged for the financial year	285	299
Balance at end of the financial year	727	442
Carrying amount		
Balance at end of the financial year	2,066	2,351

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 56(XVI)(a).

(XI) INTANGIBLE ASSETS

	Computer software RM'000	Work-in-Progress RM'000	Total RM'000
2022			
Cost			
At beginning of the financial year	2,856	–	2,856
Additions	136	–	136
Transfer to conventional fund	(16)	–	(16)
At end of the financial year	2,976	–	2,976
Accumulated Depreciation			
At beginning of the financial year	2,138	–	2,138
Amortisation for the financial year	359	–	359
Transfer to conventional fund	(16)	–	(16)
At end of the financial year	2,481	–	2,481
Net Book Value	495	–	495

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
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

(XII) DEPOSITS FROM CUSTOMERS

(i) By type of deposit:

	Group	
	2022 RM'000	2021 RM'000
Savings deposits		
Commodity murabahah	3,850,631	3,169,111
Qard	146,823	83,621
Demand deposits		
Commodity murabahah	9,587,153	9,012,721
Qard	861,168	443,683
Term deposits		
Commodity murabahah	22,994,199	28,786,399
Qard	150,276	236,976
	37,590,250	41,732,511

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	
	2022 RM'000	2021 RM'000
Business enterprises	22,820,946	27,148,886
Government and statutory bodies	3,180,849	4,429,701
Individuals	10,600,240	9,164,941
Others	988,215	988,983
	37,590,250	41,732,511

(iii) The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	2022 RM'000	2021 RM'000
Due within six months	18,084,514	24,293,982
Over six months to one year	4,774,000	4,104,731
Over one year to three years	214,910	614,839
Over three years to five years	71,051	9,823
	23,144,475	29,023,375

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	2022 RM'000	2021 RM'000
Unrestricted investment accounts:		
Without maturity		
– Wakalah	16,573	18,342
With maturity		
– Mudarabah	361,288	76,492
	377,861	94,834

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 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
Funding inflows/(outflows)		
New placements during the financial year	–	1,125,826
Redemptions/Withdrawals during the financial year	(1,777)	(844,652)
Income from investment	287	6,803
AmBank Islamic's share of profit		
Profit distributed to mudarib	(279)	(3,181)
As at 31 March 2022	16,573	361,288
Investment asset:		
2022		
Interbank placement	16,573	–
Housing financing	–	361,288
Total investment	16,573	361,288
2021		
Interbank placement	18,342	–
Housing financing	–	76,492
Total investment	18,342	76,492

The investment accounts are sourced from the following types of customers:

	2022 RM'000	2021 RM'000
Business enterprises	354,618	68,200
Individuals	23,243	26,634
	377,861	94,834

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2022 and 31 March 2021.

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 (%)
2022			
Unrestricted investment account:			
less than 3 months	53.12	1.92	1.75
over 3 months to 1 year	54.01	2.16	–
2021			
Unrestricted investment account:			
less than 3 months	52.46	1.79	1.89
over 3 months to 1 year	66.13	2.73	–

(c) The maturity structure of investment accounts are as follows:

	Group	
	2022 RM'000	2021 RM'000
Unrestricted investment account:		
– Without maturity	16,573	18,342
– With maturity		
Due within six months	361,288	76,492
	377,861	94,834

(XIV) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2022 RM'000	2021 RM'000
Non-Mudarabah:		
Licensed investment banks	252,836	99,799
Other financial institutions	1,434,174	1,374,710
Licensed banks	1,519,729	826,543
Licensed Islamic banks	379,066	847,028
Bank Negara Malaysia	48,630	29,531
	3,634,435	3,177,611

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

	Note	Group 2022 RM'000	Group 2021 RM'000
Restricted investment account ("RA")			
– Mudarabah Muqayyadah	(a)	1,710,663	718,034

(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 2022, the tenure of the RA contracts is for a period ranging between 8 months to 8 years (2021: 1 year to 9 years).

(c) Movements in the investment account are as follows:

	2022 RM'000	2021 RM'000
At beginning of the financial year	718,034	718,005
Funding inflows/outflows		
New placements during the financial year	1,000,000	–
(Redemptions)/disbursements during the financial year, net*	(7,371)	29
Income attributable to investment account holders	(44,216)	(23,046)
Income from investment	49,128	25,607
AmBank Islamic's share of profit		
Profit distributed to mudarib	(4,912)	(2,561)
At end of the financial year	1,710,663	718,034
Investment asset:		
Financing	1,710,663	718,034
Total investment	1,710,663	718,034

* (Redemptions)/disbursements amounts are inclusive of additional placements for existing contract of RM Nil (31 March 2021: RM0.8 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:

	2022		2021	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
over 2 years to 5 years	90	2.64	90	2.94
more than 5 years	90	2.80	90	3.91

(XVI) OTHER LIABILITIES

	Note	Group 2022 RM'000	Group 2021 RM'000
Other payables and accruals		354,912	234,456
Lease liabilities	(a)	2,092	2,341
Provision for reinstatement of leased properties	(b)	82	81
Deferred income		16,022	18,997
Provision for zakat and taxation		2,130	13,268
Provision for commitments and contingencies	(c)	–	300
Allowances for ECL on financing commitments and financial guarantees	(d)	24,808	15,831
Security deposit and advance payment for financing and advances		11,354	10,736
		411,400	296,010

(a) The movements in lease liabilities are as follows:

	Group 2022 RM'000	Group 2021 RM'000
Premises		
At beginning of the financial year	2,341	2,704
Remeasurement	–	(109)
Finance cost charged	64	74
Payment of lease liabilities	(313)	(328)
At end of the financial year	2,092	2,341

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 (2021: 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) The movements in lease liabilities are as follows: (cont'd.)

Lease liabilities analysed by undiscounted contractual payments are as follows:

	Group	
	2022 RM'000	2021 RM'000
Premises		
Up to 1 month	26	26
> 1 month to 3 months	41	52
> 3 months to 6 months	62	78
> 6 months to 12 months	123	157
> 1 year to 5 years	984	990
Over 5 years	1,168	1,414
	2,404	2,717

(b) The movements for provision for reinstatement of leased properties are as follows:

	Group	
	2022 RM'000	2021 RM'000
At beginning of the financial year	81	79
Finance cost charged	1	2
At end of the financial year	82	81

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

	Group	
	2022 RM'000	2021 RM'000
Balance at beginning of the financial year	300	5,500
Reversal of provision taken up under impaired financing and advances*	(300)	(5,200)
Balance at end of the financial year	–	300

* During the current financial year, AmBank Islamic had fully reversed the provision for estimated expenditure in respect of AmBank Islamic's obligations to repurchase financing of RM0.3 million (2021: RM5.2 million) due to expiry of the repurchase obligation.

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:

	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
2022					
Balance at beginning of the financial year		9,012	6,804	15	15,831
Net (writeback of)/allowances for ECL during the year:	56(XXIII)	(558)	3,761	5,772	8,975
– Transfer to 12-month ECL (Stage 1)		185	(2,533)	–	(2,348)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(318)	1,722	–	1,404
– Transfer to Lifetime ECL credit impaired (Stage 3)		(10)	(77)	87	–
New exposures originated		3,587	6,110	5,780	15,477
Net remeasurement of allowances		(1,813)	(74)	(87)	(1,974)
Exposures derecognised		(2,189)	(1,387)	(8)	(3,584)
Foreign exchange difference		–	2	–	2
Balance at the end of the financial year		8,454	10,567	5,787	24,808

	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		11,681	6,581	7	18,269
Net (writeback of)/allowances for ECL during the year:	56(XXIII)	(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

The movements in allowances for ECL are as follows:

(a) 12-month ECL (Stage 1) decreased by RM0.6 million mainly due to financial exposures derecognised and net remeasurement allowances which is partly offset by new exposures originated.

(b) Lifetime ECL not credit impaired (Stage 2) increased by RM3.8 million mainly due to new exposures originated and transfer to Stage 2, offset by transfer to Stage 1 and financial exposures derecognised.

(c) Lifetime ECL credit impaired (Stage 3) increased due to new exposures originated.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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

(XVII) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group	
	2022 RM'000	2021 (Restated) RM'000
Finance income and hibah:		
Financing and advances*	1,258,163	1,188,868
Impaired financing and advances	2,567	4,465
Financial assets at fair value through profit or loss	54,421	47,001
Financial investments at amortised cost	115,684	79,886
Financial investments at fair value through other comprehensive income	147,762	177,199
Deposits and placements with financial institutions	72,805	63,134
Others	–	7
	1,651,402	1,560,560
Gain from sale of financial investments at fair value through other comprehensive income	549	1,844
(Loss)/Gain from sale of financial assets at fair value through profit and loss	(3,827)	16,023
Loss on revaluation of financial assets at fair value through profit and loss	(416)	(705)
Gain/(Loss) on foreign exchange	2,935	(2,661)
Loss on derivatives	(8,576)	(6,865)
Others	6	60
	(9,329)	7,696
Fee and commission income:		
Commission	19,912	18,397
Other fee income	40,097	33,527
	60,009	51,924
Total	1,702,082	1,620,180

* Included the net loss of RM17.1 million (2021: 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	
	2022 RM'000	2021 RM'000
Income derived from investment of:		
(i) Restricted investment account	49,128	25,607
(ii) Unrestricted investment account	7,091	6,466
	56,219	32,073
(i) Income derived from investment of restricted investment account		
Finance income and hibah:		
Financing and advances	49,128	25,607
(ii) Income derived from investment of unrestricted investment account		
Finance income and hibah:		
Financing and advances	6,804	6,135
Deposits and placements with banks and other financial institutions	287	331
Total finance income and hibah	7,091	6,466

(XIX) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2022 RM'000	2021 (Restated) RM'000
Finance income and hibah:		
Financing and advances*	107,262	110,028
Impaired financing and advances	219	413
Financial assets at fair value through profit or loss	4,640	4,348
Financial investments at fair value through other comprehensive income	12,597	16,392
Financial investments at amortised cost	9,862	7,390
Deposits and placements with financial institutions	6,207	5,840
Others	22	120
	140,809	144,531
(Loss)/Gain from sale of financial assets at fair value through profit and loss	(326)	1,482
Loss on revaluation of financial assets at fair value through profit and loss	(36)	(65)
Gain from sale of financial investments at fair value through other comprehensive income	47	171
Gain/(Loss) on foreign exchange	250	(246)
Loss on derivatives	(731)	(635)
Others	1	23
	(795)	730
Fee and commission income:		
Commission	17,550	15,124
Other fee income	11,946	16,578
	29,496	31,702
Total	169,510	176,963

* Included the net loss of RM1.5 million (FY21: RM5.8 million) arising from government support measures implemented in response to COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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

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

(XX) IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2022 RM'000	2021 (Restated) RM'000
Allowances for impairment on financing and advances:		
Allowances for ECL (Note 56(VI)(h))	335,811	426,820
Impaired financing and advances recovered, net	(93,940)	(99,642)
	241,871	327,178

(XXI) ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT ON FINANCIAL INVESTMENTS

	Group	
	2022 RM'000	2021 (Restated) Note 55 RM'000
Financial investments at amortised cost – sukuk	256,019	188,926
Financial investments at fair value through other comprehensive income – sukuk	(59)	(10,838)
	255,960	178,088

(XXII) IMPAIRMENT ON OTHER FINANCIAL ASSETS

	Group	
	2022 RM'000	2021 RM'000
Cash and short-term funds	75	49

(XXIII) PROVISION FOR/(WRITEBACK OF) COMMITMENTS AND CONTINGENCIES

	Group	
	2022 RM'000	2021 RM'000
Allowances for/(Writeback of) ECL on financial commitments and financial guarantee contracts	8,975	(2,433)

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

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

(XXIV) INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Group	
	2022 RM'000	2021 RM'000
Deposits from customers:		
Non-Mudarabah Fund	680,685	714,978
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund*	40,580	43,433
Others	29,001	18,863
	69,581	62,296
Total	750,266	777,274

- Income attributable to deposits and placements of banks and other financial institutions included the fair value gain of RM18.9 million (FY21: 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.

(XXV) INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Group	
	2022 RM'000	2021 RM'000
Unrestricted		
Customers – investment accounts	3,629	3,566
Restricted		
Licensed bank – investment account	44,216	23,046
	47,845	26,612

(XXVI) OPERATING EXPENSES

	Group	
	2022 RM'000	2021 RM'000
Personnel costs	21,773	22,941
Establishment costs	2,814	3,301
Marketing and communication expenses	3,826	5,815
Administration and general expenses	9,120	8,940
Service transfer pricing expense, net	247,761	255,937
	285,294	296,934

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

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

(XXVII) TAXATION AND ZAKAT

	Group	
	2022 RM'000	2021 RM'000
Taxation	49,508	(2,358)
Zakat	2,168	1,018
Taxation and zakat	51,676	(1,340)

(XXVIII) NET INCOME FROM ISLAMIC BANKING

For consolidation with the conventional business, net income from the operations of Islamic banking comprises the followings:

	Group	
	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds	1,702,082	1,620,180
Income derived from investment of investment account funds	56,219	32,073
Income derived from Islamic Banking Funds	169,510	176,963
Less: Income attributable to the depositors and others	(750,266)	(777,274)
Income attributable to investment account holders	(47,845)	(26,612)
Income attributable to the Group	1,129,700	1,025,330
Less: Finance costs	(97,455)	(98,692)
	1,032,245	926,638
Consolidation adjustments	29,781	3,021
	1,062,026	929,659

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

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

(XXIX) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group	
	2022	**2021**
Under transitional arrangements, refer Note (1) below		
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.302%	12.354%
Tier 1 Capital Ratio	12.302%	12.354%
Total Capital Ratio	17.033%	16.814%
After deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.302%	12.248%
Tier 1 Capital Ratio	12.302%	12.248%
Total Capital Ratio	17.033%	16.708%

(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.

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	
	2022	**2021**
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	11.586%	10.914%
Tier 1 Capital Ratio	11.586%	10.914%
Total Capital Ratio	16.693%	15.801%
After deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	11.586%	10.808%
Tier 1 Capital Ratio	11.586%	10.808%
Total Capital Ratio	16.693%	15.694%

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

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:

	Group	
	2022 RM'000	2021 RM'000
CET1 Capital		
Ordinary share capital	1,387,107	1,417,107
Retained earnings	2,490,692	2,434,800
Fair value reserve	(3,893)	43,972
Regulatory reserve	–	–
Less: Regulatory adjustments applied on CET1 Capital		
Other intangibles	(495)	(718)
Deferred tax assets	(61,249)	(61,567)
55% of cumulative gains in fair value reserve	–	(24,185)
Regulatory reserve	–	–
Unrealised fair value gains and losses on financial liabilities due to changes in own credit risk	(92)	(183)
Other CET1 regulatory adjustments specified by BNM	235,578	502,728
CET1/Tier 1 Capital	4,047,648	4,311,954
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,300,000
General provisions*	256,523	256,523
Tier 2 Capital	1,556,523	1,556,523
Total Capital	5,604,171	5,868,477
The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:		
Credit RWA	32,508,336	33,237,652
Less : Credit RWA absorbed by Profit Sharing Investment Account	(2,075,074)	(796,005)
Total Credit RWA	30,433,262	32,441,647
Market RWA	634,019	782,524
Operational RWA	1,835,409	1,677,832
Total Risk Weighted Assets	32,902,690	34,902,003

* 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	2022 RM'000	2021 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
– up to one year	5,992,817	5,952,699
– over one year	896,617	595,233
Unutilised credit card lines	1,430,460	1,389,410
Forward asset purchases	10,114	237,329
	8,330,008	8,174,671
Contingent Liabilities		
Obligations under underwriting agreements	130,000	–
Certain transaction-related contingent items	905,845	862,352
Short-term self-liquidating trade-related contingencies	81,317	43,131
Direct credit substitutes	614,836	573,954
	1,731,998	1,479,437
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	2,636,545	3,165,280
– Over one year to five years	1,582,530	1,502,381
Commodity related contracts:		
– Over one year to five years	71,367	70,332
	4,640,442	5,087,993
Total	14,702,448	14,742,101

57. SETTLEMENT WITH MINISTRY OF FINANCE ("MOF") MALAYSIA ON HISTORICAL TRANSACTIONS BY THE COMPANY

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2022

58. SIGNIFICANT EVENTS

(i) Private Placement of shares under the general mandate from shareholders

On 1 April 2021, the Company announced its intention to undertake a private placement of up to 300 million 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. This action was intended to accelerate the Common Equity Tier 1 ("CET1") capital build post settlement with Ministry of Finance ("MOF") Malaysia.

On 14 April 2021, the Company announced the completion of the private placement with issuance of 300 million shares at RM2.75 per share. The total share capital raised amounted to RM825.0 million.

The total proceeds from the private placement of RM825.0 million and the status of utilisation is as follows:

	Proposed utilisation RM'000	Actual utilisation RM'000
Purpose		
Working capital purposes including injection of capital into the Group's operating subsidiaries*	821,000	822,620
Expenses for the private placement**	4,000	2,380
Total	825,000	825,000

* The proceeds from the private placement was utilised to fund a capital injection of RM450.0 million into AmBank (M) Berhad ("AmBank") with the balance utilised to restore the working capital of the Company after the Company had prior to the private placement injected capital into its operating subsidiaries.

** The unutilised balance of RM1.62 million from the expenses estimated at RM4.0 million has been re-allocated to the working capital purposes of the Company.

(ii) Proposed disposal of AmGeneral Insurance Berhad to Liberty Insurance Berhad

On 19 July 2021, AmGeneral Holdings Berhad ("AGHB"), a 51%-owned subsidiary of the Company entered into an Implementation Agreement with Liberty Insurance Berhad ("LIB") whereby AGHB will dispose its wholly-owned subsidiary, AmGeneral Insurance Berhad ("AGIB"), to LIB for approximately RM2,290 million (subject to adjustments), to be satisfied via a combination of cash and shares in LIB ("Proposed Disposal").

The Proposed Disposal is subject to regulatory approvals. Contingent on receiving the said approvals, AGHB and LIB will, inter alia, execute a share purchase agreement under which:

(a) LIB will acquire 100% equity stake in AGIB from AGHB for approximately RM2,290 million (subject to adjustments); and

(b) The Company's share of proceeds from the Proposed Disposal will be satisfied via a combination of cash and shares, which will result in the Company holding a 30% interest in the LIB and AGIB businesses.

Upon completion of the Proposed Disposal, AMMB and Liberty Mutual Insurance Company (the parent company of LIB) will hold a 30% and a 70% equity stake respectively in LIB and AGIB. AMMB will be accounting for the Proposed Disposal as a disposal of subsidiary and, subsequently, will account for the 30% retained interest in LIB and AGIB as an associate undertaking.

The Proposed Disposal will also see AMMB Group entering into a 20-year new bancassurance partnership.

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 Ling Fou-Tsong @ Jamie Ling
2	AmREIT Holdings Sdn Bhd	Soo Kim Wai Azlan Baqee bin Abdullah Yap Huey Wen
3	AmREIT Managers Sdn Bhd	Soo Kim Wai Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Azlan Baqee bin Abdullah Raja Nazirin Shah bin Raja Mohamad Yap Huey Wen Tan Sri Mazlan bin Mansor (Resigned on 28 February 2022)
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	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir
9	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir Daniel Francis Coman
10	AmGeneral Insurance Berhad	Phoon Soon Keong Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai Daniel Francis Coman
11	AmBank (M) Berhad	Voon Seng Chuan Soo Kim Wai Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh U Chen Hock Ng Chih Kaye Foong Pik Yee (Appointed on 26 September 2021) Raymond Fam Chye Soon (Retired on 26 September 2021)

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
12	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
13	MBf Information Services Sdn Bhd	Khoo Teck Beng Lim Kien Hock
14	MBf Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding-Up)	Lim Kien Hock Khoo Teck Beng
15	MBf Trustees Berhad (Under Members' Voluntary Winding-Up)	Lim Hock Aun Khoo Teck Beng
16	AmProperty Holdings Sdn Bhd	Khoo Teck Beng Lim Kien Hock
17	AmCard Services Berhad	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng
18	Teras Oak Pembangunan Sendirian Berhad	Lim Kien Hock Khoo Teck Beng
19	Bougainvillaea Development Sdn Bhd	Khoo Teck Beng Lim Kien Hock
20	Malco Properties Sdn Bhd (Under Members' Voluntary Winding-Up)	Lim Kien Hock Khoo Teck Beng
21	AmMortgage One Berhad	Loo Boon Seng Dato' Ng Mann Cheong Syed Ihsanputra bin Syed Mohd Fudzan (Appointed 24 February 2022) Oon Kin Seng (Resigned 24 February 2022)
22	Komuda Credit & Leasing Sdn Bhd (Under Members' Voluntary Winding-up)	Lim Hock Aun Arunasalam a/l Muthusamy
23	AmInvestment Bank Berhad	Jeyaratnam a/l Tamotharam Pillai Lum Sing Fai Ramesh Pillai Chee Li Har Seow Yoo Lin Dato' Kong Sooi Lin Datin Hayati Aman binti Hashim (Appointed on 26 November 2021) Tan Bun Poo (Retired on 5 June 2021)
24	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw
25	AMMB Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding-Up)	Khoo Teck Beng Goh Wee Peng
26	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw

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	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
28	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
29	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
30	AmFunds Management Berhad	Jeyaratnam a/l Tamotharam Pillai Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Ng Chih Kaye (Appointed on 1 July 2021) Jas Bir Kaur a/p Lol Singh (Appointed on 1 July 2021) Goh Wee Peng
31	AmIslamic Funds Management Sdn Bhd	Chee Li Har Zainal Abidin bin Mohd Kassim Izad Shahadi bin Mohd Sallehuddin (Appointed on 1 July 2021) Goh Wee Peng Wong Weng Tuck Sum Leng Kuang (Resigned 1 July 2021) Tai Terk Lin (Resigned 1 October 2021)
32	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng
33	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 Zain K. Vithyatharan a/l V Karunakaran (Appointed 28 September 2021) Foong Pik Yee (Resigned 28 September 2021)
34	MBF Cards (M'sia) Sdn Bhd	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng

PILLAR 3 DISCLOSURES

1.0 SCOPE OF APPLICATION

The Risk Weighted Capital Adequacy Framework - (Basel II) Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3) policy documents issued by Bank Negara Malaysia ("BNM") aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The two policy documents are applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and Islamic Financial Service Act 2013 ("IFSA").

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the policy documents apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank Islamic Berhad ("AmBank Islamic"). AMMB is a financial holding company ("FHC") approved pursuant to Section 112(3) of the FSA.

The Pillar 3 Disclosure and regulatory capital ratio calculations are prepared at the consolidated AMMB Holdings Berhad level excluding investment in insurance entities and joint ventures ("the Group"). Investment in insurance entities is deducted from the regulatory capital. The information provided in this Pillar 3 Disclosure has been verified by the Group internal auditors and certified by the Group Chief Executive Officer.

Capital Adequacy

BNM's guidelines on capital adequacy seek to ensure that risk exposures of financial institutions are supported by adequate level of capital to withstand losses which may result from credit and other risks associated with its business operations.

The capital adequacy ratios are 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 9 December 2020. Pursuant to BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), financial institution is required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

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

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

Frequency of Disclosure

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

Medium and Location of Disclosure

The Pillar 3 disclosure of the Group is available on the Group's corporate website at www.ambankgroup.com.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

1.0 SCOPE OF APPLICATION (CONT'D.)

1.1 Basis of Consolidation (cont'd.)

For purposes of this Pillar 3 Disclosure, the consolidation basis used is the same as that used for regulatory capital adequacy purposes except for the exclusion of investment in insurance entities and joint ventures. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting treatment	
	Statutory reporting	Basel III regulatory reporting
Subsidiaries licensed under FSA or IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Risk weighted

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 CAPITAL MANAGEMENT

The Group's capital management approach is focused on maintaining a healthy capital position that supports the Group's strategic objectives and risk appetite. In line with the Group's annual 3-year strategy plan, a capital plan is developed to ensure that adequate level of capital and an optimum capital structure is maintained to meet regulatory requirements, the Group's strategic objectives and stakeholders' expectations.

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

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

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

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

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

2.0 CAPITAL MANAGEMENT (CONT'D.)

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 included allowing banking institutions to drawdown on the capital conservation buffer ("CCB") of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions were given reasonable time to rebuild the buffers after 31 December 2020 and were expected to restore to the minimum regulatory requirement by 30 September 2021. During the financial year ended 31 March 2022, the Group and its banking subsidiaries continued to maintain sufficient buffer above the CCB and minimum regulatory requirement.

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 a portion of the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital from financial year 2021 to financial year 2024.

Table 2.1: Capital Adequacy Ratios

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

	31 March 2022			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Tier 1 Capital Ratio	11.659%	12.489%	33.393%	12.342%
Total Capital Ratio	16.109%	17.292%	34.077%	15.456%
After deducting proposed dividends:				
CET1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Tier 1 Capital Ratio	11.659%	12.489%	25.771%	12.202%
Total Capital Ratio	16.109%	17.292%	26.456%	15.315%

	31 March 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%

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios (cont'd.)

Notes:

(1) 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 of the Group and the banking subsidiaries had been computed applying transitional arrangements on provision for ECL. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries as at 31 March 2022 and 31 March 2021 are as follows:

	31 March 2022			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Tier 1 Capital Ratio	11.168%	11.763%	33.393%	11.791%
Total Capital Ratio	15.967%	16.948%	34.077%	15.324%
After deducting proposed dividends:				
CET1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Tier 1 Capital Ratio	11.168%	11.763%	25.771%	11.651%
Total Capital Ratio	15.967%	16.948%	26.456%	15.184%

	31 March 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%

(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 comprises 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) and Capital Adequacy Framework for Islamic Banks (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

The positions of each entity as presented above and Group (where applicable) are also published at www.ambankgroup.com.

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements

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

Exposure class	31 March 2022 RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On-balance sheet exposures:							
Sovereigns/Central banks		19,370,480	19,370,480	–	–	–	–
Public Sector Entities ("PSEs")		2,391	2,391	478	–	478	38
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		9,024,654	9,024,654	1,881,234	–	1,881,234	150,499
Corporates		64,706,105	62,344,751	51,638,720	–	51,638,720	4,131,098
Regulatory retail		40,750,084	35,823,071	28,710,853	361,288	28,349,565	2,267,965
Residential mortgages		26,550,853	26,546,213	10,339,413	–	10,339,413	827,153
Higher risk assets		692,625	692,615	1,038,922	–	1,038,922	83,114
Other assets		2,568,755	2,568,755	1,829,480	–	1,829,480	146,358
Securitisation exposures		90	90	1,125	–	1,125	90
Equity exposures		79	79	79	–	79	6
Defaulted exposures		1,242,890	1,236,743	1,228,688	–	1,228,688	98,295
Total for on-balance sheet exposures		**164,909,006**	**157,609,842**	**96,668,992**	**361,288**	**96,307,704**	**7,704,616**
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives		1,860,867	1,637,225	1,096,035	–	1,096,035	87,683
Credit derivatives		–	–	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives		13,410,296	9,562,490	8,284,969	–	8,284,969	662,798
Defaulted exposures		36,721	28,320	42,297	–	42,297	3,384
Total for off-balance sheet exposures		**15,307,884**	**11,228,035**	**9,423,301**	**–**	**9,423,301**	**753,865**
Total on and off-balance sheet exposures		**180,216,890**	**168,837,877**	**106,092,293**	**361,288**	**105,731,005**	**8,458,481**
2. **Large exposures risk requirement**				981,925	–	981,925	78,554
	Long Position	**Short Position**					
3. **Market risk**							
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	94,489,381	92,045,367		1,367,905	–	1,367,905	109,432
– Specific interest rate risk/rate of return risk	2,601,300	279,488		20,208	–	20,208	1,617
Foreign currency risk	1,008,576	1,973,119		2,464,919	–	2,464,919	197,193
Equity risk							
– General risk	36,868	9,928		26,939	–	26,939	2,155
– Specific risk	36,868	9,928		54,450	–	54,450	4,356
Option risk	162,356	167,677		39,048	–	39,048	3,124
Total	**98,335,349**	**94,485,507**		**3,973,469**	**–**	**3,973,469**	**317,877**
4. **Operational risk**				**7,114,901**	**–**	**7,114,901**	**569,192**
5. **Total RWA and capital requirements**				**118,162,588**	**361,288**	**117,801,300**	**9,424,104**

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements (cont'd.)

The breakdown of RWA by exposures in major risk category of the Group is as follows: (cont'd.)

	31 March 2021						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On-balance sheet exposures:							
Sovereigns/Central banks		21,587,043	21,587,043	–	–	–	–
Public Sector Entities ("PSEs")		2,932	2,932	586	–	586	47
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		7,727,264	7,727,264	2,123,220	–	2,123,220	169,858
Corporates		60,759,972	58,501,953	47,563,929	–	47,563,929	3,805,114
Regulatory retail		42,599,347	38,547,265	31,517,258	76,493	31,440,765	2,515,261
Residential mortgages		21,142,874	21,137,335	8,170,678	–	8,170,678	653,654
Higher risk assets		706,252	706,242	1,059,364	–	1,059,364	84,749
Other assets		2,248,801	2,248,801	1,786,430	–	1,786,430	142,914
Securitisation exposures		5,655	5,655	2,238	–	2,238	179
Equity exposures		69	69	69	–	69	6
Defaulted exposures		1,245,639	1,234,210	1,337,833	–	1,337,833	107,027
Total for on-balance sheet exposures		**158,025,848**	**151,698,769**	**93,561,605**	**76,493**	**93,485,112**	**7,478,809**
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives		2,135,453	2,000,377	1,332,992	–	1,332,992	106,639
Credit derivatives		11	11	5	–	5	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives		11,669,945	8,465,243	7,405,385	–	7,405,385	592,431
Defaulted exposures		31,204	26,987	37,893	–	37,893	3,031
Total for off-balance sheet exposures		**13,836,613**	**10,492,618**	**8,776,275**	**–**	**8,776,275**	**702,101**
Total on and off-balance sheet exposures		**171,862,461**	**162,191,387**	**102,337,880**	**76,493**	**102,261,387**	**8,180,910**
2. **Large exposures risk requirement**				878,254	–	878,254	70,260
	Long Position	**Short Position**					
3. **Market risk**							
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	106,827,131	101,038,200		2,116,625	–	2,116,625	169,330
– Specific interest rate risk/rate of return risk	5,857,391	91,764		36,205	–	36,205	2,896
Foreign currency risk	938,769	1,100,582		1,455,670	–	1,455,670	116,454
Equity risk							
– General risk	51,416	20,571		30,845	–	30,845	2,468
– Specific risk	51,416	20,571		64,812	–	64,812	5,185
Option risk	83,720	174,680		30,311	–	30,311	2,425
Total	**113,809,843**	**102,446,368**		**3,734,468**	**–**	**3,734,468**	**298,758**
4. **Operational risk**				**6,598,842**	**–**	**6,598,842**	**527,907**
5. **Total RWA and capital requirements**				**113,549,444**	**76,493**	**113,472,951**	**9,077,835**

3.0 CAPITAL STRUCTURE

Table 3.2 summarises the capital position and capital structure of the Group and its banking subsidiaries. The capital structure is made up of:

- Common Equity Tier 1 ("CET1") Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Capital

Issued and paid-up capital that represents the most subordinated claim in liquidation of the financial institution.

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 14 April 2021, the Company announced the completion of the private placement with issuance of 300 million shares at RM2.75 per share. The total share capital raised amounted to RM825.0 million.

(b) Retained Earnings

Retained earnings are included in CET1 Capital net of any interim and final dividend declared, and net of any interim losses. Quarterly interim profits that are reviewed or audited by external auditors are included in the computation of CET1 Capital.

(c) Fair Value Reserve

The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at fair value through other comprehensive income ("FVOCI"). In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets. To the extent the balance in the fair value reserve is a net credit position, the Group can recognise 45% of the balance as part of CET1 Capital. Where the balance is a net debit position, the entire balance is deducted from CET1 Capital.

(d) Foreign Currency Translation Reserve

Foreign exchange gains and losses arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's reporting currency.

(e) Regulatory Reserve

Regulatory reserve is maintained 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. The amount of the regulatory reserve is deducted from the calculation of CET1 Capital.

(f) Cash Flow Hedging Reserve/(Deficit)

Cash flow hedging reserve/(deficit) comprises the portion of the gains/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gains as at the reporting period is classified as cash flow hedging reserve and cash flow hedging losses is classified as cash flow hedging deficit. The amount of the cash flow hedging reserve/(deficit) is derecognised in the calculation of CET1 Capital.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.1 CET1 Capital (cont'd.)

(g) Other disclosed reserves comprise:

(i) Executive Share Scheme reserve

Executive Share Scheme ("ESS") reserve represents the equity-settled scheme shares granted to employees. 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 shares and is reduced by the expiry of the scheme shares.

(ii) Treasury shares

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 from the open market, a total of 5,330,700 ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM3.15 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM16.8 million and was financed by internally generated funds. The shares bought back are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

3.2 Additional Tier 1 Capital

No Additional Tier 1 ("AT1") issuance was made during the financial year under review.

3.3 Tier 2 Capital

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments and Stage 1 and Stage 2 loss allowances and regulatory reserve (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach).

Basel III Subordinated Notes

On 30 December 2013, AmBank established a Basel III compliant Subordinated Notes programme of RM4.0 billion ("Programme") to enable the issuance of Tier 2 capital instruments from time to time. 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 the 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.

On 19 December 2018, AmBank revised the terms of the Programme to include the non-viability trigger event referenced to the financial group. The revision is and will be applicable to all existing and future capital instruments issued under the Programme.

The salient features of the Subordinated Notes issued under this programme and outstanding as at 31 March 2022 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
16 October 2017	17 October 2022	10 years Non-Callable 5 years	4.90% per annum	570
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	175
14 March 2018	14 March 2023	10 years Non-Callable 5 years	5.23% per annum	350
15 November 2018	15 November 2023	10 years Non-Callable 5 years	4.98% per annum	1,000
30 March 2021	30 March 2026	10 years Non-Callable 5 years	4.18% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.30% per annum	600
Total				**3,095**

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (cont'd.)

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had established a Basel III compliant Subordinated Sukuk Murabahah programme of RM3.0 billion ("Murabahah Programme") to enable the issuance of Tier 2 Capital from time to time.

The Murabahah 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 the programme shall have a tenure of at least five (5) years from the issue date, and is callable on any coupon payment date after a minimum period of five (5) years from the date of issuance of each tranche.

On 19 December 2018, AmBank Islamic revised the terms of the Programme to include the non-viability trigger event referenced to the financial group. The revision is and will be applicable to all existing and future capital instruments issued under the Programme.

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2022 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	150
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	500
8 December 2020	8 December 2025	10 years Non-Callable 5 years	3.13% per annum	400
8 March 2022	8 March 2027	10 years Non-Callable 5 years	4.25% per annum	250
Total				**1,300**

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure

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

	31 March 2022			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 1	3,040,465	1,387,107	330,000	6,376,240
Retained earnings	6,524,068	2,490,692	139,315	9,251,065
Fair value reserve	293,346	(3,893)	1,703	485,759
Foreign exchange translation reserve	92,301	–	–	98,871
Treasury shares	–	–	–	(11,041)
Regulatory reserve	94,463	–	8,457	102,920
Cash flow hedging deficit	(9,062)	–	–	(9,062)
Other remaining disclosed reserves	–	–	–	36,472
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(221,538)	(495)	(2,063)	(225,116)
Deferred tax assets	(158,227)	(61,249)	(5,446)	(216,855)
55% of cumulative gains in fair value reserve	(161,340)	–	(937)	(267,168)
Cash flow hedging deficit	9,062	–	–	9,062
Regulatory reserve	(94,463)	–	(8,457)	(102,920)
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	(648)	(92)	–	(681)
Other CET1 regulatory adjustments specified by BNM	413,471	235,578	1	649,031
CET1 Capital	**9,813,410**	**4,047,648**	**412,764**	**14,539,085**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	431
Tier 1 Capital	**9,813,410**	**4,047,648**	**412,764**	**14,539,516**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	3,095,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,752,328
General provisions*	650,081	256,523	8,460	914,980
Tier 2 Capital	**3,745,081**	**1,556,523**	**8,460**	**3,667,308**
Total Capital	**13,558,491**	**5,604,171**	**421,224**	**18,206,824**

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	75,535,958	32,508,336	891,418	106,092,293
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(2,075,074)	–	(361,288)
Total Credit RWA	75,535,958	30,433,262	891,418	105,731,005
Market RWA	2,859,665	215,113	17,652	3,973,469
Operational RWA	4,792,198	1,760,237	327,009	7,114,901
Large exposure risk RWA for equity holdings	980,771	–	–	981,925
Total RWA	**84,168,592**	**32,408,612**	**1,236,079**	**117,801,300**

Note 1: On 14 April 2021, the Company increased its issued and paid-up ordinary share capital by RM825.0 million through the issuance of 300,000,000 new ordinary shares. On 31 May 2021, AmBank increased its issued and paid-up ordinary share capital by RM450.0 million through the issuance of 46,680,498 new ordinary shares.

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure (cont'd.)

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

	31 March 2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 2	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:

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
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 2: 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.

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

4.0 GENERAL RISK MANAGEMENT

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

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/enhancements taking into consideration the prevailing or in anticipation of 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) Harnessing expertise across the Group to deliver AmBank Holistic Customer Value Proposition, (4) Offers differentiated and profitable products, (5) Building capacity and efficiency through Digital Initiatives, (6) Retaining and Embedding Principled, Proactive, Appreciative, Collaborative and Experimental ("P^2ACE") DNA, (7) Integrating Environmental, Social, and Governance ("ESG") focusing on Responsible banking and (8) Exploring Digital Bank option.

1 The Group aspires to have a minimum 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 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 its Total Capital Ratio at the Group's Internal Capital Target under normal conditions.
4 The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
5 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).
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.
7 The Group aims for at least 70% of its loan/financing portfolio to constitute exposures with low Environmental, Social and Governance Risk Grade ("ESG-RG") by FY2030.
8 The Group aims to maintain its IRRBB/RORBB Internal Capital Adequacy Assessment Programme ("ICAAP") Pillar 2 over total capital ratio at entity level as follows:
   a. ICAAP IRRBB/RORBB at below 8.5% of its Total Capital for AmBank and AmBank Islamic (entity level);
   b. ICAAP IRRBB/RORBB at below 5% of its Total Capital for AmInvestment (entity level).

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

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, technology and cyber risk.

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

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

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology, emerging risks and ESG risk;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the RMC, has access to the Board and the Boards of the respective banking 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 businesses, operations and decision making processes. The Group as a sustainable-conscious organisation had 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 with various allowances provided for by the regulator, as well as the introduction of multiple government guaranteed schemes to assist SMEs.

Although some risks within the portfolio have begin emerging, especially in Retail Banking, the effects of the efforts put in to reach out to customers throughout the period is seen. The Group continues proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out and has been actively offering assistance where required. In addition, appropriate management overlay has been set aside to cushion the potential flow in arrears of account under repayment assistance.

The Group continues engaging our SME customers through multiple channels and encouraging them to reach out to the banking subsidiaries if assistance is needed. Reviews on our customers has been an on-going process, especially those in vulnerable sectors and segments, and various forms of assistance has been extended within the regulators allowance and the Group's risk appetite.

The Group has also continue to provide the repayment assistance packages in line with government initiative to assist the affected customer:

(1) Financial Management and Resilience Programme (Program Pengurusan dan Ketahanan Kewangan "URUS") – a programme for eligible B50 borrowers which provides a personalised financial plan that holistically takes into account financial circumstances and affordability to repay all loan obligations.
(2) The Supplementary Strategic Programme to Empower the People and Economy (Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan "PEMERKASA Plus") – which offer 3 months loans deferment or reduction in instalments for 6 months (PEMERKASA was then replaced by PEMULIH in July 2021).
(3) National People's Well-Being and Economic Recovery Package (Perlindungan Rakyat and Pemulihan Ekonomi "PEMULIH") – which offer 6 months moratorium, reduction of instalment by 50% and other packages including to reschedule and restructure financing to suit the specific financial circumstances of borrowers (ended December 2021).

Group Risk Management as a whole has been closely monitoring, mitigating and addressing the prolonged impact arising from the COVID-19 pandemic to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are:

- To protect the interests of depositors, creditors and shareholders;
- To ensure the safety and soundness of the Group's capital position; and
- To ensure that the capital base supports the Group's Risk Appetite and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP:

4.1.1 The Group shall maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- The Group Risk Appetite, including the Group's target credit rating category;
- Regulatory Capital requirements;
- The Board and Management's targeted financial performance; and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Board and Senior Management Oversight

The ICAAP must be subject to Board and senior management oversight, forms an integral part of the Group's capital management and decision making processes, and will:

- Ensure all elements of the ICAAP are established and functioning effectively and subject to independent review on a periodic basis; and
- Ensure comprehensive assessment of capital adequacy conducted annually.

4.1.3 Capital Management Framework

The ICAAP shall include an approved Capital Management Framework which contains:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level; and
- Measures to ensure that the Group is in compliance with minimum regulatory standards.

4.1.4 The Group's quality and level of capital shall commensurate with the level of risks exposures. Sufficient capital shall be maintained to:

- Meet minimum prudential requirements (including capital buffer requirements) in all jurisdictions in which the Group operates, and any requirements that may be imposed by the stakeholders of the Group;
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Achieve or maintain the Group's desired long term credit rating.

4.1.5 Capital allocation:

- Capital allocation shall be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

- The Group shall identify and assess the risk materiality on an annual basis;
- Risk assessments shall be conducted at banking subsidiaries' level and incorporate both quantitative and qualitative elements; and
- Methodologies to identify and determine the materiality of current risk types, changes to existing risk types and new risk types must be established.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

ICAAP Framework

Requirements of the Banks	Requirements of the Regulator
Principal 1: • Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels	**Principal 2:** • Regulators to review and evaluate the Bank's ICAAP strategies • Regulators to monitor and ensure Bank's compliance with regulatory capital ratios • Regulators undertake appropriate supervisory action if unsatisfactory results
Principal 3: • Banks are expected to operate above the minimum regulatory capital ratios and should have the ability to hold capital in excess of the minimum	**Principal 4:** • Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight	Sound Capital Assessment	Comprehensive Risk Assessment and Management Processes	Monitoring and Reporting	Internal Control and Review
• Material Risks identified • Material thresholds • Group Risk Appetite • Sufficient Capital Adequacy • Targeted Financial Performance • Planned Asset Growth and Strategic business objectives • Policy/Frameworks	• Identification, Measurement and Reporting of Material Risks • Compliance with minimum regulatory standards • Clear linkage between risks and capital • Capital Plan	• Credit Risk • Market Risk • Operational Risk • Rate Risk in the Banking Book • Credit Concentration Risk • Large exposure risk requirements	• Level and Trend of Material Risks • Sensitivity Analysis of key assumptions • Regulatory Reporting to Board and Senior Management	• Independent reviews of ICAAP (internal audit) • Ongoing compliance monitoring • Stress Testing • Documented processes/frameworks

Overview of ICAAP process and setting Internal Capital Targets

5.0 CREDIT RISK MANAGEMENT

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default (“PD”) • Loss given default (“LGD”) • Exposure at default (“EAD”)
Control/Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assessment 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 • Annual refresh of customers’ credit risk rating

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/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 section 14 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 credit, 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 credit, 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.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Lending/financing activities are guided by internal credit policies and GRAF 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") and Retail Credit Policy ("RCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB"), Business Banking ("BB") and Retail Banking ("RB") 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, and RCP for RB) sets out the controls in managing R&R loans/financing;
- Setting Retail risk controls capping for higher risk segment 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.

5.1 Impairment

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

a. the Group considers that an obligor is "unlikely to repay" in full its credit obligations to the 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 relevant 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.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

5.1 Impairment (cont'd.)

5.1.1 Group Provisioning Methodology

The Group's provisioning methodology complies with MFRS 9 where the Group recognises Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about 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.

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

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.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

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

	31 March 2022														
	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	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-balance sheet exposures															
Sovereigns/ Central banks	–	–	–	–	–	–	–	–	19,370,480	–	–	–	–	–	19,370,480
PSEs	–	–	–	–	–	–	–	–	2,391	–	–	–	–	–	2,391
Banks, DFIs and MDBs	–	–	–	–	–	–	–	9,024,654	–	–	–	–	–	–	9,024,654
Corporates	2,500,161	1,944,893	14,867,468	2,507,244	5,582,485	10,046,287	6,136,010	5,114,910	–	7,645,759	2,772,775	4,670,696	912,039	5,378	64,706,105
Regulatory retail	58,442	18,252	780,335	84,358	500,487	1,370,450	269,073	26,077	–	136,852	446,861	101,726	36,956,489	682	40,750,084
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	26,550,853	–	26,550,853
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	17,501	675,124	692,625
Other assets	–	–	–	–	–	–	–	18,315	170,000	10	31,472	–	74,342	2,274,616	2,568,755
Securitisation exposures	–	–	–	–	–	–	–	90	–	–	–	–	–	–	90
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	79	79
Defaulted exposures	7,969	42,733	147,358	1,928	57,454	100,891	125,374	1,144	–	181,372	22,677	5,872	548,118	–	1,242,890
Total for on-balance sheet exposures	**2,566,572**	**2,005,878**	**15,795,161**	**2,593,530**	**6,140,426**	**11,517,628**	**6,530,457**	**14,185,190**	**19,542,871**	**7,963,993**	**3,273,785**	**4,778,294**	**65,059,342**	**2,955,879**	**164,909,006**
Off-balance sheet exposures															
OTC derivatives	13,428	22,511	329,996	476	–	11,466	227,341	1,207,599	6,308	–	12,712	5,821	23,209	–	1,860,867
Credit derivatives	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	304,533	105,596	2,700,600	473,331	2,857,720	1,099,771	418,776	2,020,463	–	774,923	141,155	160,709	2,351,858	861	13,410,296
Defaulted exposures	–	3,012	7,891	–	10,896	133	–	–	–	484	81	–	14,224	–	36,721
Total for off-balance sheet exposures	**317,961**	**131,119**	**3,038,487**	**473,807**	**2,868,616**	**1,111,370**	**646,117**	**3,228,062**	**6,308**	**775,407**	**153,948**	**166,530**	**2,389,291**	**861**	**15,307,884**
Total on and off-balance sheet exposures	**2,884,533**	**2,136,997**	**18,833,648**	**3,067,337**	**9,009,042**	**12,628,998**	**7,176,574**	**17,413,252**	**19,549,179**	**8,739,400**	**3,427,733**	**4,944,824**	**67,448,633**	**2,956,740**	**180,216,890**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector (cont'd.)

The distribution of credit exposures by sector of the Group is as follows: (cont'd.)

	31 March 2021														
	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	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On-balance sheet exposures															
Sovereigns/ Central banks	–	–	–	–	–	–	–	–	21,587,043	–	–	–	–	–	21,587,043
PSEs	–	–	–	–	–	–	–	–	2,932	–	–	–	–	–	2,932
Banks, DFIs and MDBs	–	–	–	–	–	–	–	7,727,264	–	–	–	–	–	–	7,727,264
Corporates	2,535,683	2,309,201	13,763,659	2,541,039	6,908,322	8,292,639	4,647,714	4,583,161	–	8,324,547	2,956,875	3,116,631	778,182	2,319	60,759,972
Regulatory retail	63,291	19,628	734,965	85,092	482,200	1,270,026	247,058	13,469	–	127,390	494,532	94,504	38,967,191	1	42,599,347
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	21,142,874	–	21,142,874
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	19,422	686,830	706,252
Other assets	–	177	–	–	–	–	–	28,234	170,000	36	101,441	–	114,894	1,834,019	2,248,801
Securitisation exposures	–	–	–	–	–	–	–	5,655	–	–	–	–	–	–	5,655
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	69	69
Defaulted exposures	77,169	5,941	118,823	1,328	41,561	96,654	51,634	1,121	–	303,972	28,554	4,569	514,313	–	1,245,639
Total for on-balance sheet exposures	**2,676,143**	**2,334,947**	**14,617,447**	**2,627,459**	**7,432,083**	**9,659,319**	**4,946,406**	**12,358,904**	**21,759,975**	**8,755,945**	**3,581,402**	**3,215,704**	**61,536,876**	**2,523,238**	**158,025,848**
Off-balance sheet exposures															
OTC derivatives	23,845	22,182	345,068	265	1,573	7,348	305,790	1,244,028	38,965	2,276	123,153	514	20,446	–	2,135,453
Credit derivatives	–	–	–	–	–	–	–	11	–	–	–	–	–	–	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	309,460	335,806	1,919,414	307,742	2,731,632	1,116,041	383,274	1,331,612	–	805,378	180,441	156,932	2,091,652	561	11,669,945
Defaulted exposures	–	68	6,821	–	5,222	712	68	–	–	5,627	81	–	12,605	–	31,204
Total for off-balance sheet exposures	**333,305**	**358,056**	**2,271,303**	**308,007**	**2,738,427**	**1,124,101**	**689,132**	**2,575,651**	**38,965**	**813,281**	**303,675**	**157,446**	**2,124,703**	**561**	**13,836,613**
Total on and off-balance sheet exposures	**3,009,448**	**2,693,003**	**16,888,750**	**2,935,466**	**10,170,510**	**10,783,420**	**5,635,538**	**14,934,555**	**21,798,940**	**9,569,226**	**3,885,077**	**3,373,150**	**63,661,579**	**2,523,799**	**171,862,461**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

The impaired and past due loans, advances and financing, impairment allowances, charges for individual impairment allowances and write offs during the financial year by sector of the Group is as follow:

	31 March 2022													
	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	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	8,834	175,741	226,687	4,639	112,676	170,049	18,518	1,494	188,167	37,595	6,218	725,426	–	1,676,044
Past due but not impaired loans/ financing	167,317	10,345	52,439	3,222	138,862	147,445	33,997	2,504	27,942	58,449	23,451	4,854,319	–	5,520,292
Allowances for Expected Credit Losses	11,482	139,070	314,061	11,147	86,636	132,313	146,239	60,480	36,881	29,206	7,230	948,436	4,325	1,927,506
(Writeback)/Charges for individual allowance	(1,523)	266,515	12,032	471	34,182	16,052	(4,456)	–	13,137	2,819	264	(323)	–	339,170
Write-offs against individual allowance and other movements	–	165,519	8,597	–	30,814	55,902	–	–	15,536	–	–	–	–	276,368

	31 March 2021													
	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	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	79,621	37,955	194,000	3,521	92,315	202,228	59,268	1,325	312,785	41,736	6,548	739,018	–	1,770,320
Past due but not impaired loans/ financing	180,159	1,702	106,249	6,204	171,423	197,421	129,163	297	50,423	62,107	13,869	3,243,503	–	4,162,520
Allowances for Expected Credit Losses*	12,660	22,214	253,062	6,626	89,340	154,803	30,349	30,589	39,353	25,822	5,537	1,400,573	4,773	2,075,701
Charges/(Writeback) for individual allowance	1,504	33,511	16,657	2,033	10,828	84,640	(13,196)	–	20,132	4,550	1,425	(3,806)	–	158,278
Write-offs against individual allowance and other movements	–	15,579	9,104	–	1,296	5,866	–	–	36,901	5,779	3,466	–	–	77,991

* *Restated*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures

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

	31 March 2022		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	19,370,480	–	19,370,480
PSEs	2,391	–	2,391
Banks, DFIs and MDBs	6,054,899	2,969,755	9,024,654
Corporates	63,803,199	902,906	64,706,105
Regulatory retail	40,743,743	6,341	40,750,084
Residential mortgages	26,550,853	–	26,550,853
Higher risk assets	691,988	637	692,625
Other assets	2,452,071	116,684	2,568,755
Securitisation exposures	90	–	90
Equity exposures	79	–	79
Defaulted exposures	1,242,862	28	1,242,890
Total for on-balance sheet exposures	**160,912,655**	**3,996,351**	**164,909,006**
Off-balance sheet exposures			
OTC derivatives	1,330,057	530,810	1,860,867
Credit derivatives	–	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	13,365,927	44,369	13,410,296
Defaulted exposures	36,721	–	36,721
Total for off-balance sheet exposures	**14,732,705**	**575,179**	**15,307,884**
Total on and off-balance sheet exposures	**175,645,360**	**4,571,530**	**180,216,890**

	31 March 2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	21,587,043	–	21,587,043
PSEs	2,932	–	2,932
Banks, DFIs and MDBs	4,964,025	2,763,239	7,727,264
Corporates	60,022,306	737,666	60,759,972
Regulatory retail	42,588,574	10,773	42,599,347
Residential mortgages	21,142,874	–	21,142,874
Higher risk assets	705,718	534	706,252
Other assets	2,142,348	106,453	2,248,801
Securitisation exposures	5,655	–	5,655
Equity exposures	69	–	69
Defaulted exposures	1,245,595	44	1,245,639
Total for on-balance sheet exposures	**154,407,139**	**3,618,709**	**158,025,848**
Off-balance sheet exposures			
OTC derivatives	1,618,305	517,148	2,135,453
Credit derivatives	–	11	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	11,614,970	54,975	11,669,945
Defaulted exposures	31,204	–	31,204
Total for off-balance sheet exposures	**13,264,479**	**572,134**	**13,836,613**
Total on and off-balance sheet exposures	**167,671,618**	**4,190,843**	**171,862,461**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

The impaired and past due loans, advances and financing and impairment allowances by geographic distribution of the Group is as follows:

	31 March 2022		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,666,873	9,171	1,676,044
Past due but not impaired loans/financing	5,520,292	–	5,520,292
Allowances for Expected Credit Losses	1,915,629	11,877	1,927,506

	31 March 2021		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,739,359	30,961	1,770,320
Past due but not impaired loans/financing	4,162,520	–	4,162,520
Allowances for Expected Credit Losses*	2,043,681	32,020	2,075,701

* *Restated*

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure

The residual contractual maturity by major types of gross credit exposures of the Group is as follows:

	31 March 2022								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	>5 years RM'000	No maturity specified RM'000	Total RM'000
On-balance sheet exposures									
Sovereigns/Central banks	8,271,542	–	344,891	295,916	2,372,790	2,226,089	5,859,252	–	19,370,480
PSEs	–	–	–	–	–	2,391	–	–	2,391
Banks, DFIs and MDBs	5,788,557	1,282,878	15,063	–	1,166,935	149,115	622,106	–	9,024,654
Corporates	20,458,725	6,208,212	3,901,574	5,821,948	7,607,240	6,599,594	14,108,812	–	64,706,105
Regulatory retail	243,742	106,633	146,143	2,694,472	1,713,959	4,222,113	31,623,022	–	40,750,084
Residential mortgages	1,173	216	1,172	4,446	53,006	152,649	26,338,191	–	26,550,853
Higher risk assets	12	5	44	18	537	562	16,323	675,124	692,625
Other assets	1,409,549	–	–	–	–	–	–	1,159,206	2,568,755
Securitisation exposures	–	–	–	–	–	–	90	–	90
Equity exposures	–	–	–	–	–	–	–	79	79
Defaulted exposures	302,833	3,509	2,030	97,164	69,365	57,760	710,229	–	1,242,890
Total for on-balance sheet exposures	**36,476,133**	**7,601,453**	**4,410,917**	**8,913,964**	**12,983,832**	**13,410,273**	**79,278,025**	**1,834,409**	**164,909,006**
Off-balance sheet exposures									
OTC derivatives	42,384	84,182	87,121	342,818	313,437	142,172	848,753	–	1,860,867
Credit derivatives	–	–	–	–	–	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	2,794,241	1,852,997	650,222	6,944,903	8,867	65,554	1,093,512	–	13,410,296
Defaulted exposures	8,097	99	1,854	14,909	312	406	11,044	–	36,721
Total for off-balance sheet exposures	**2,844,722**	**1,937,278**	**739,197**	**7,302,630**	**322,616**	**208,132**	**1,953,309**	**–**	**15,307,884**
Total on and off-balance sheet exposures	**39,320,855**	**9,538,731**	**5,150,114**	**16,216,594**	**13,306,448**	**13,618,405**	**81,231,334**	**1,834,409**	**180,216,890**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure (cont'd.)

The residual contractual maturity by major types of gross credit exposures of the Group is as follows: (cont'd.)

	31 March 2021								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 3 years RM'000	>3 years to 5 years RM'000	>5 years RM'000	No maturity specified RM'000	Total RM'000
On-balance sheet exposures									
Sovereigns/Central banks	13,567,107	–	149,949	895,401	903,230	2,398,155	3,673,201	–	21,587,043
PSEs	–	–	–	–	–	2,281	651	–	2,932
Banks, DFIs and MDBs	5,477,030	294,746	14,455	40,116	1,067,675	212,698	620,544	–	7,727,264
Corporates	17,212,364	6,059,923	3,553,142	8,628,297	4,035,700	6,248,659	15,021,887	–	60,759,972
Regulatory retail	176,461	122,336	201,034	2,450,270	2,232,366	4,622,568	32,794,312	–	42,599,347
Residential mortgages	1,184	460	668	3,954	51,941	140,222	20,944,445	–	21,142,874
Higher risk assets	6	–	282	7	425	776	17,926	686,830	706,252
Other assets	1,191,189	–	–	–	–	–	–	1,057,612	2,248,801
Securitisation exposures	–	–	–	–	–	–	5,655	–	5,655
Equity exposures	–	–	–	–	–	–	–	69	69
Defaulted exposures	391,805	4,486	10,004	114,819	45,139	81,438	597,948	–	1,245,639
Total for on-balance sheet exposures	**38,017,146**	**6,481,951**	**3,929,534**	**12,132,864**	**8,336,476**	**13,706,797**	**73,676,569**	**1,744,511**	**158,025,848**
Off-balance sheet exposures									
OTC derivatives	71,989	149,930	111,347	376,770	147,511	395,055	882,851	–	2,135,453
Credit derivatives	–	–	11	–	–	–	–	–	11
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	1,706,736	1,255,252	964,097	6,789,507	2,961	53,536	897,856	–	11,669,945
Defaulted exposures	4,105	5,334	1,376	10,162	554	324	9,349	–	31,204
Total for off-balance sheet exposures	**1,782,830**	**1,410,516**	**1,076,831**	**7,176,439**	**151,026**	**448,915**	**1,790,056**	**–**	**13,836,613**
Total on and off-balance sheet exposures	**39,799,976**	**7,892,467**	**5,006,365**	**19,309,303**	**8,487,502**	**14,155,712**	**75,466,625**	**1,744,511**	**171,862,461**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The disclosure on reconciliation of loan loss allowances can be found in Note 13 of the annual financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

Financial year ended 31 March 2022 ("FY2022")	(Charge off)/ Recoveries RM'000
Bad debts written off during the financial year	(39,770)
Bad debt recoveries during the financial year	280,154

Financial year ended 31 March 2021 ("FY2021")	(Charge off)/ Recoveries RM'000
Bad debts written off during the financial year	(44,013)
Bad debt recoveries during the financial year	395,627

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH

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

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

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

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

31 March 2022													
	Exposures after Netting and Credit Risk Mitigation												
Risk Weights	Sovereigns and Central Banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	19,370,480	–	355,748	–	4,981,599	125,008	–	–	415,716	–	–	25,248,551	–
20%	–	2,391	8,823,039	–	7,883,332	1,300,457	–	–	404,449	–	–	18,413,668	3,682,734
35%	–	–	–	–	–	–	19,632,063	–	–	–	–	19,632,063	6,871,222
50%	6,308	–	909,060	–	250,039	16,560	7,078,830	–	–	–	–	8,260,797	4,130,399
75%	–	–	–	–	–	25,919,455	–	–	–	–	–	25,919,455	19,439,591
100%	–	–	–	8,210	57,456,268	10,822,498	119,668	–	1,748,590	–	79	70,155,313	70,155,313
150%	–	–	–	–	344,116	154,018	–	709,806	–	–	–	1,207,940	1,811,909
1250%	–	–	–	–	–	–	–	–	–	90	–	90	1,125
Total	**19,376,788**	**2,391**	**10,087,847**	**8,210**	**70,915,354**	**38,337,996**	**26,830,561**	**709,806**	**2,568,755**	**90**	**79**	**168,837,877**	**106,092,293**

31 March 2021													
	Exposures after Netting and Credit Risk Mitigation												
Risk Weights	Sovereigns and Central Banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	21,587,043	–	357,002	–	6,025,599	61	–	–	424,967	–	–	28,394,672	–
20%	–	2,932	5,865,648	–	6,758,473	1,288,291	–	–	46,756	5,565	–	13,967,665	2,793,533
35%	–	–	–	–	–	–	16,034,687	–	–	–	–	16,034,687	5,612,140
50%	–	–	2,650,303	–	238,423	14,771	5,263,517	–	–	–	–	8,167,014	4,083,507
75%	–	–	–	–	–	25,829,707	–	–	–	–	–	25,829,707	19,372,280
100%	–	–	–	8,649	52,982,527	13,622,456	51,288	–	1,777,078	–	69	68,442,067	68,442,067
150%	–	–	–	–	535,409	96,276	–	723,800	–	–	–	1,355,485	2,033,228
1250%	–	–	–	–	–	–	–	–	–	90	–	90	1,125
Total	**21,587,043**	**2,932**	**8,872,953**	**8,649**	**66,540,431**	**40,851,562**	**21,349,492**	**723,800**	**2,248,801**	**5,655**	**69**	**162,191,387**	**102,337,880**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

	31 March 2022					
	Ratings of Corporate by Approved ECAIs					
Group **Exposure class**	**Moody's** **Fitch** **RAM** **MARC** **RM'000**	**Aaa to Aa3** **AAA to AA-** **AAA to AA3** **AAA to AA-** **RM'000**	**A1 to A3** **A+ to A-** **A to A3** **A+ to A-** **RM'000**	**Baa1 to Ba3** **BBB+ to BB-** **BBB1 to BB3** **BBB+ to BB-** **RM'000**	**B1 to C** **B+ to D** **B to D** **B+ to D** **RM'000**	**Unrated** **Unrated** **Unrated** **Unrated** **RM'000**
On and off-balance sheet exposures						
Credit exposures						
(using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	2,391	–	–	–	–	2,391
Insurance companies, Securities firms and Fund managers	8,210	–	–	–	–	8,210
Corporates	75,423,301	5,939,373	–	13,672	–	69,470,256
Total	**75,433,902**	**5,939,373**	**–**	**13,672**	**–**	**69,480,857**

	31 March 2021					
	Ratings of Corporate by Approved ECAIs					
Group **Exposure class**	**Moody's** **Fitch** **RAM** **MARC** **RM'000**	**Aaa to Aa3** **AAA to AA-** **AAA to AA3** **AAA to AA-** **RM'000**	**A1 to A3** **A+ to A-** **A to A3** **A+ to A-** **RM'000**	**Baa1 to Ba3** **BBB+ to BB-** **BBB1 to BB3** **BBB+ to BB-** **RM'000**	**B1 to C** **B+ to D** **B to D** **B+ to D** **RM'000**	**Unrated** **Unrated** **Unrated** **Unrated** **RM'000**
On and off-balance sheet exposures						
Credit exposures						
(using corporate risk weights)						
PSE (applicable for entities risk weighted based on their external ratings as corporates)	2,932	–	–	–	–	2,932
Insurance companies, Securities firms and Fund managers	8,649	–	–	–	–	8,649
Corporates	71,007,917	4,295,593	21,169	74,340	–	66,616,815
Total	**71,019,498**	**4,295,593**	**21,169**	**74,340**	**–**	**66,628,396**

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6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

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

Group	31 March 2022					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	19,376,788	–	–	19,376,788	–	–
Total	**19,376,788**	**–**	**–**	**19,376,788**	**–**	**–**

Group	31 March 2021					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	21,587,043	–	–	21,587,043	–	–
Total	**21,587,043**	**–**	**–**	**21,587,043**	**–**	**–**

Group	31 March 2022					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	11,770,389	3,675,902	461,029	129,295	–	7,504,163
Total	**11,770,389**	**3,675,902**	**461,029**	**129,295**	**–**	**7,504,163**

Group	31 March 2021					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	9,757,963	4,175,133	619,975	872,926	–	4,089,929
Total	**9,757,963**	**4,175,133**	**619,975**	**872,926**	**–**	**4,089,929**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.3: Securitisation according to Ratings by ECAIs

	31 March 2022			
	Ratings of Securitisation by Approved ECAIs			
Group **Exposure class**	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures				
Securitisation exposures	90	–	–	90
Total	**90**	**–**	**–**	**90**

	31 March 2021			
	Ratings of Securitisation by Approved ECAIs			
Group **Exposure class**	Moody's Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A1 to A3 A+ to A- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures				
Securitisation exposures	5,655	5,565	–	90
Total	**5,655**	**5,565**	**–**	**90**

7.0 CREDIT RISK MITIGATION

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 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 for non-retail portfolio.

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.

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.

7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation

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

	31 March 2022		
Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On-balance sheet exposures			
Sovereigns/Central banks	19,370,480	–	–
PSEs	2,391	–	–
Banks, DFIs And MDBs	9,024,654	–	–
Corporates	64,706,105	709,117	4,716,471
Regulatory retail	40,750,084	1,381,361	6,490,947
Residential mortgages	26,550,853	–	25,577
Higher risk assets	692,625	–	10
Other assets	2,568,755	–	–
Securitisation exposures	90	–	–
Equity exposures	79	–	–
Defaulted exposures	1,242,890	54,760	18,495
Total for on-balance sheet exposures	**164,909,006**	**2,145,238**	**11,251,500**
Off-balance sheet exposures			
OTC derivatives	1,860,867	–	412,595
Credit derivatives	–	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	13,410,296	382,077	4,763,881
Defaulted exposures	36,721	–	14,387
Total for off-balance sheet exposures	**15,307,884**	**382,077**	**5,190,863**
Total on and off-balance sheet exposures	**180,216,890**	**2,527,315**	**16,442,363**

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7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation (cont'd.)

The total exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows: (cont'd.)

Exposure Class	31 March 2021		
	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On-balance sheet exposures			
Sovereigns/Central banks	21,587,043	–	–
PSEs	2,932	–	–
Banks, DFIs And MDBs	7,727,264	–	–
Corporates	60,759,972	938,851	4,575,143
Regulatory retail	42,599,347	1,254,619	5,283,230
Residential mortgages	21,142,874	–	31,004
Higher risk assets	706,252	–	10
Other assets	2,248,801	–	–
Securitisation exposures	5,655	–	–
Equity exposures	69	–	–
Defaulted exposures	1,245,639	44,184	106,277
Total for on-balance sheet exposures	**158,025,848**	**2,237,654**	**9,995,664**
Off-balance sheet exposures			
OTC derivatives	2,135,453	–	398,032
Credit derivatives	11	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	11,669,945	343,246	3,931,779
Defaulted exposures	31,204	–	4,562
Total for off-balance sheet exposures	**13,836,613**	**343,246**	**4,334,373**
Total on and off-balance sheet exposures	**171,862,461**	**2,580,900**	**14,330,037**

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

8.1 Off-Balance Sheet exposures

The Group's off-balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. direct credit substitute, guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short-term self-liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivative Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off-balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the GRAF.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the marked- to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confined to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the GRAF.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

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8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off-Balance Sheet Exposures

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

	31 March 2022			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,972,783		2,896,505	2,522,218
Transaction related contingent Items	4,295,291		2,038,081	1,592,769
Short-term Self-liquidating Trade-related contingencies	604,427		99,199	89,086
Forward Asset Purchases	60,257		3,500	2,500
Obligations under on-going underwriting agreements	130,000		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	1,687,548		1,729,929	40,560
Foreign exchange related contracts				
One year or less	19,845,570	28,549	183,577	143,375
Over one year to five years	4,312,476	111,905	406,445	341,260
Over five years	1,114,259	992	144,921	126,483
Interest/Profit rate related contracts				
One year or less	789,332	6,587	7,839	3,311
Over one year to five years	2,898,059	63,609	105,215	36,826
Over five years	2,346,446	97,146	280,462	137,862
Equity and commodity related contracts				
One year or less	1,463,602	38,395	71,670	36,810
Over one year to five years	75,367	8,214	180	36
Other Commodity Contracts				
One year or less	106,784	8,861	4,196	2,759
Over one year to five years	71,367	8,264	12,546	2,151
Credit Derivative Contracts				
One year or less	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	56,447,261	448,851	643,816	265,162
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	17,485,076		1,252,625	968,274
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,516,528		4,401,879	2,348,850
Unutilised credit card lines	5,126,496		1,025,299	763,009
Total	**124,348,929**	**821,373**	**15,307,884**	**9,423,301**

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off-Balance Sheet Exposures (cont'd.)

The off-balance sheet exposures and counterparty credit risk of the Group are as follows: (cont'd.)

	31 March 2021			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,113,258		1,958,624	1,604,866
Transaction related contingent Items	4,303,726		2,196,695	1,738,216
Short-term Self-liquidating Trade-related contingencies	694,409		114,338	104,153
Forward Asset Purchases	894,498		73,825	18,916
Obligations under on-going underwriting agreements	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	825,944		837,672	5,500
Foreign exchange related contracts				
One year or less	27,247,609	167,058	335,234	209,651
Over one year to five years	4,235,120	150,928	463,331	391,396
Over five years	551,219	2,124	68,888	60,048
Interest/Profit rate related contracts				
One year or less	365,550	326	801	465
Over one year to five years	2,937,669	33,400	75,199	34,260
Over five years	1,833,937	86,232	261,535	197,964
Equity and commodity related contracts				
One year or less	1,153,901	15,623	70,177	35,362
Over one year to five years	14,350	410	446	89
Other Commodity Contracts				
One year or less	280,489	6,600	3,700	2,954
Over one year to five years	140,664	4,812	9,031	620
Credit Derivative Contracts				
One year or less	347,950	1,347	11	5
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	64,992,843	822,330	847,111	400,183
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	17,722,506		944,566	746,194
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,018,731		4,545,182	2,457,905
Unutilised credit card lines	5,151,236		1,030,247	767,528
Total	**137,825,609**	**1,291,190**	**13,836,613**	**8,776,275**

8.0 OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

Group		31 March 2022		31 March 2021	
		Sell Leg	Buy Leg*	Sell Leg	Buy Leg*
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	–	–	197,950	150,000

No exposure as at 31 March 2022 due to expiry of the credit derivatives contract on 14 September 2021. As at 31 March 2021, out of the total notional exposure for protection bought, RM150.0 million has no counterparty credit risk exposure because it was on a fully funded basis.

9.0 SECURITISATION

9.1 Objectives, roles and involvement

AMMB Banking Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its structured finance/debt capital markets services for its clients. The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management; and
- earn other fees for products and services provided, e.g. liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities - the Group may purchase bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.0 SECURITISATION (CONT'D.)

9.2 Regulatory capital approaches used in the Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.3 Governance

The Group's Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.4 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 days past due, default rates, prepayment rates, etc, to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.5 Special Purpose Vehicle ("SPV") used in securitisation exercises

Third party exposures that have been securitised via SPVs include civil servant loans/financing, personal loans/financing and government-linked companies' staff housing loans.

9.6 Accounting Policies for Securitisation

The Group has sponsored SPVs involving assets of the Group. Such SPVs are consolidated where the Group has control as determined in accordance with MFRS 10 *Consolidated Financial Statements*.

Assets that have been transferred wholly or proportionately to an unconsolidated entity remain on the Group's statement of financial position, with a liability recognised for the proceeds received, unless:

(a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or

(b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

9.7 Use of external rating agencies

The Group uses the services of both RAM and MARC and where applicable, international rating agency for securitisation transactions purposes.

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9.0 SECURITISATION (CONT'D.)

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

	31 March 2022			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Mortgage loans	1,078,947	–	1,069,023	–
Total Traditional Securitisation	**1,078,947**	**–**	**1,069,023**	**–**

	31 March 2021			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/Losses recognised during the financial year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Mortgage loans	1,036,853	–	1,028,904	–
Total Traditional Securitisation	**1,036,853**	**–**	**1,028,904**	**–**

The Group did not have any exposures under synthetic securitisation as at 31 March 2022 and 31 March 2021.

9.0 SECURITISATION (CONT'D.)

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

Group Securitisation Exposures by Exposure Type	31 March 2022						
	Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights — Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On-Balance Sheet Exposures	–	–	–	–	–	–	–
Originated by the Group							
On-Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**90**	**90**	**–**	**–**	**–**	**90**	**1,125**

Group Securitisation Exposures by Exposure Type	31 March 2021						
	Exposure Value of Positions Purchased or Retained RM'000	Exposures after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights — Rated Securitisation Exposures or Risk Weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On-Balance Sheet Exposures	5,565	5,565	–	5,565	–	–	1,113
Originated by the Group							
On-Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**5,655**	**5,655**	**–**	**5,565**	**–**	**90**	**2,238**

There is no securitisation exposure under trading book as at 31 March 2022 and 31 March 2021.

10.0 OPERATIONAL RISK

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products) • Review of past operational losses and incidences data • Regulators' and Auditors' review and feedback
Assessment/ Measurement	• Risk and Control Self Assessment ("RCSA") • The inherent and residual risks are addressed based on the profitability and impact of activity undertaken
Control/Mitigation	Several Operational Risk Management tools are used to mitigate the risk identified • Incident Management and Data Collection ("IMDC") • Key Risk Indicators ("KRI") • Key Control Testing ("KCT") • Root cause analysis • Scenario Analysis • 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 operational risk framework adherence • Challenging the periodical review or updating the RCSA (risk profile)/KRIs/KCTs of all Line of Business and entity • Trigger by adverse change in circumstances (COVID-19) • Change management process review

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 14 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall 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 the 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 IMDC, KRI and KCT:

- 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 FLOD 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, ORM training and reporting of operational risk triggers, breaches, 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.

10.0 OPERATIONAL RISK (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 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 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 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.
- Root cause analysis is conducted by the Operational Risk Relationship Managers within Group Operational Risk to prevent recurrence of operational risk incidents.
- Scenario analysis is a forward-looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, Risk Management Committee Director ("RMCD") and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	• Business Impact Analysis ("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.

10.0 OPERATIONAL RISK (CONT'D.)

10.2 Cyber Risk Management

Cybersecurity risks remain a persistent threat for the financial industry. The constantly evolving nature and sophistication of cyber threats and attack vectors calls for increased vigilance, readiness and ability to respond 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 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. The Group's technology risk management capabilities include oversight over infrastructure security risk, data leakage risk, application security risk and third party security risk.

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

10.4 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 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.

11.0 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").

11.1 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 controls • 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 Limits) 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.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 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 controls • 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 the 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 monthly basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

The Group measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk ("NTMR") (cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

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.

Table 11.2: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

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

	31 March 2022	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Zakat and Taxation	197,177	(197,177)
Impact on Equity	(1,060,900)	1,178,793

	31 March 2021	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Zakat and Taxation	132,893	(132,893)
Impact on Equity	(863,697)	947,864

12.0 EQUITIES (BANKING BOOK POSITIONS)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are equity investments that are taken for strategic and other objectives. Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Upon adoption of MFRS 9, management has elected at initial recognition to irrevocably designate certain equity investment not held for trading at FVTPL and FVOCI. When this election is used, fair value gains and losses for equity investment at FVTPL are recognised in profit or loss and equity investment at FVOCI are recognised in other comprehensive income.

Table 12.1: Equity investments and capital requirement

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

	31 March 2022 RM'000	31 March 2021 RM'000
Non-traded equity investments		
Value of quoted (publicly traded) equities	1,207	1,173
Value of unquoted (privately held) equities	675,124	686,830
Total	**676,331**	**688,003**
Net realised and unrealised gains		
Cumulative realised gains from sales and liquidations	8,871	–
Total unrealised gains	3,151	93,578
Total	**12,022**	**93,578**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	1,207	1,173
Equity investments subject to a 150% risk weight	1,012,686	1,030,245
Total	**1,013,893**	**1,031,418**
Total minimum capital requirement (8%)	**81,111**	**82,513**

13.0 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/Targets
Monitoring/Review	• Monitor controls • 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.

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 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 Capital and Balance Sheet Management ("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.

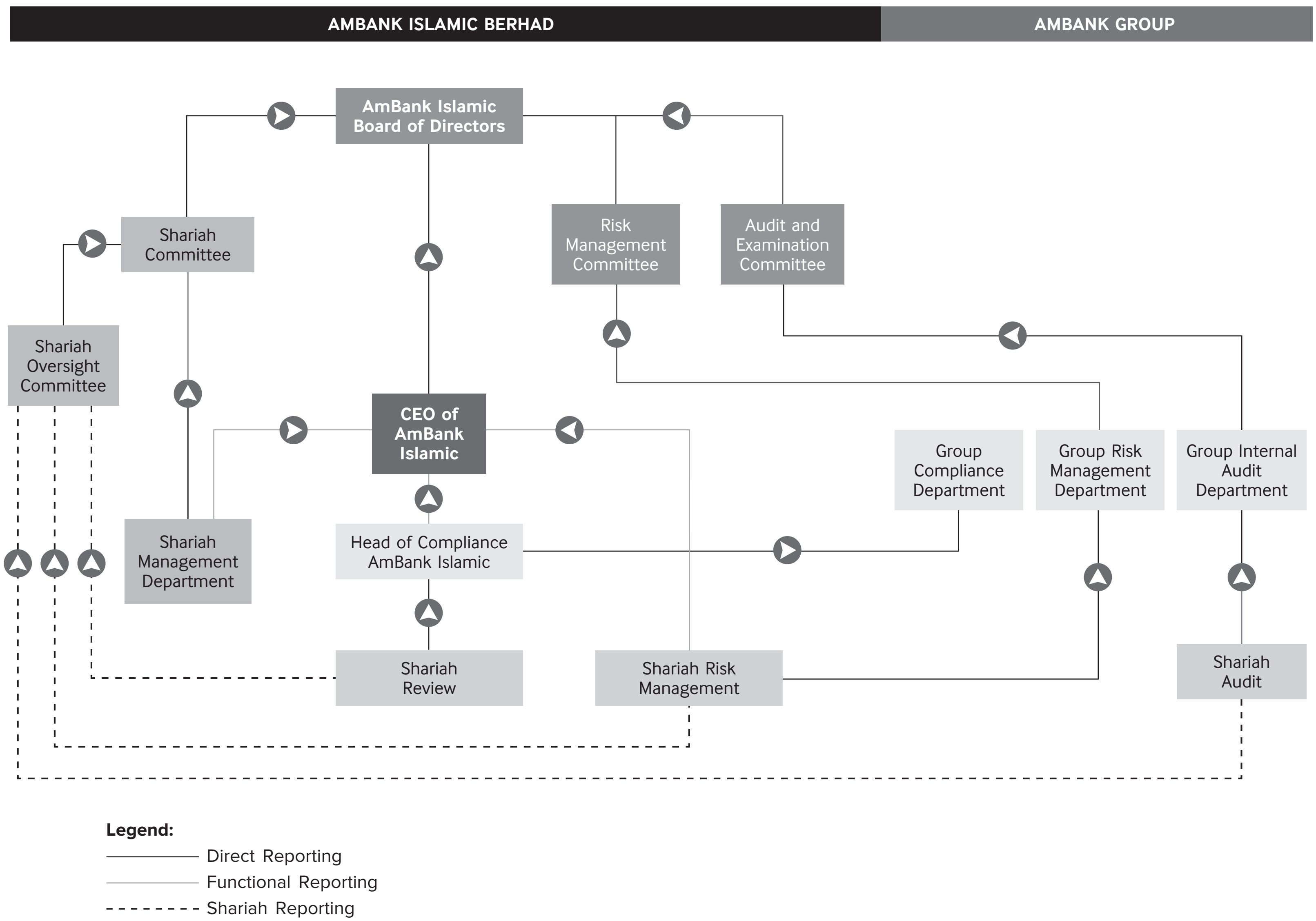
Various liquidity measurements have been put in place to support the broader strategic objectives of the Group and amongst others include the BNM LCR, BNM NSFR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the Group Treasury and Markets ("GTM") and CBSM are responsible to ensure the controls and limits are within the thresholds.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans, advances and 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.

PILLAR 3 DISCLOSURES

14.0 SHARIAH GOVERNANCE STRUCTURE



14.0 SHARIAH GOVERNANCE STRUCTURE (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 requirements.

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

Board of Directors

The Board is 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 role through various committees such as the Audit and Examination Committee, Risk Management Committee and the Shariah Committee.

Audit and Examination Committee ("AEC")

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

Risk Management Committee ("RMC")

RMC is a Board committee responsible for assisting the Board in ensuring that risk management (including Shariah risk management) controls and processes are in place.

Shariah Committee

The Shariah Committee is responsible 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 the 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 incidents as well as treatment of any Shariah non-compliant income.

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 the necessary measures for implementation. The Senior Management is also responsible in establishing the infrastructure and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Management Department

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

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic (cont'd.)

Shariah Risk Management

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

The management of Shariah risk is executed through the three lines of defence, which are: 1st – The Business Units/Functional Lines and Shariah Management Department; 2nd – Shariah Risk Management and Shariah Review; 3rd – Shariah Audit.

Shariah Review

The 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 which are predominantly transactional in nature, with Shariah requirements.

Shariah Audit

The Shariah Audit Section is accountable to the AEC with Shariah reporting to the Shariah Oversight Committee. The Shariah Audit Section is a dedicated team within the Group Internal Audit Department, and 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. The Shariah Audit's scope includes but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

AmInvestment Bank

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

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

Shariah Non-Compliant Incidents and Income

AmBank Islamic

For the financial year ended 31 March 2022, there were no Shariah non-compliant ("SNC") incident.

For the financial year ended 31 March 2021, there were two (2) SNC incidents involving SNC income of approximately RM353,000.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

Investment Account ("IA")

The Group via AmBank Islamic offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RA") which refers to an IA where the Investment Account Holder ("IAH") provides a specific investment to AmBank Islamic and Unrestricted Investment Account ("UA") which refers to an IA where the customer provides AmBank Islamic with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RA and UA are based on Shariah concept of Mudarabah. Currently, the RA arrangement undertaken by AmBank Islamic is with a subsidiary of the Group and is eliminated upon consolidation.

Mudarabah means a profit sharing contract between the IAH as the fund provider and AmBank Islamic as the fund manager in which the IAH provides capital to be managed by AmBank Islamic. Any profit generated from the capital is shared between the IAH and AmBank Islamic in accordance with a mutually agreed Profit Sharing Ratio ("PSR"), whilst financial losses (if any) are solely borne by the IAH provided that such losses are not due to AmBank Islamic's misconduct, negligence or breach of specified terms. The IA is not covered by PIDM.

As part of the measures to further enhance financing capacity of AmBank Islamic, AmBank Islamic is allowed to recognise the placement of Investment accounts for the purpose of:

(a) Computation of Single Customer Exposure ("SCEL"); where the RA placement maintained by AmBank Islamic shall be captured via look-through approach whereby the exposure to the counterparty in relation to the underlying asset and invested by AmBank Islamic. The exposure shall be aggregated with all other exposure to such counterparty which in this case AmBank (M) Berhad;

(b) Credit and market risk weighted assets funded by RA and UA are allowed to be excluded from AmBank Islamic's calculation of RWCR. Hence, allowing AmBank Islamic to enhance its financing capacity.

The IA are structured based on application of Shariah contracts on terms which do not create an obligation on the bank to repay in full the money accepted from the IAH. The structure and term of the IA provide sufficient legal enforceability to affect the loss bearing or loss transfer arrangement to IAH in accordance with Shariah.

Although the risk will be borne by the investor, AmBank Islamic will ensure the assets portfolio tagged to the investment accounts are being monitored diligently by specific team set up by AmBank Islamic. For RA, the selection of financing assets among others will take into considerations the Risk Grade ("RG"), arrears position, tenor of the facility and also collateral value. The return will also be determined based on the Investment account holders risk appetite. For UA, AmBank Islamic will invest in low risk investment portfolio comprised of pool of good quality mortgages accounts which are limited to only performing accounts.

Restricted Investment Account ("RA")

The RA is an arrangement between Ambank Islamic and AmBank to finance a specific business venture whereby AmBank solely provides capital and the business ventures are managed solely by AmBank Islamic as the fund manager. AmBank records its exposure in the arrangement as "Investment Account", whereas AmBank Islamic records its exposure as "financing and advances".

The RA exposes AmBank to the risks and rewards of the financing, and accordingly, AmBank accounts for all impairment allowances and risk weighted assets arising from the RA arrangement.

The RA placement will be limited to a cap agreed and approved by the management and Board of Directors for both AmBank Islamic and AmBank. In addition, the identified assets funded by RA shall be based on the criteria that has been agreed and approved by the relevant committees of AmBank Islamic and AmBank.

AmBank Islamic conducts regular review of the disclosure policies to ensure reliable, relevant and timely information to AmBank Islamic to facilitate the evaluation of RA performance and the risks associated with the assets portfolio.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA") (CONT'D.)

Restricted Investment Account ("RA") (cont'd.)

The contract or Aqad encompassed terms and conditions including but not limited to the followings:

i. The description of the shariah concept used the RA arrangement
ii. Placement amount
iii. Tenor in months or days (whichever applicable)
iv Profit Sharing Ratio ("PSR") for Mudarabah
v Description of Assets/Investments matched with the funding

In managing the liquidity risk for RA, the redemption conditions imposed on AmBank would significantly mitigate the liquidity risk exposure of AmBank Islamic.

Mudarabah Term Investment Account ("MTIA")

AmBank Islamic has widened the scope of business beyond credit intermediation by acting as an investment intermediation role via the introduction of UA product.

The investment mandate, strategy and parameters for UA are in accordance with the governance set up by AmBank Islamic to ensure effective and efficient oversight on business activities and operations of UA in safeguarding the IAH's interest.

AmBank Islamic had established proper governance to facilitate effective monitoring and control of the overall management and conduct of the investment account. A dedicated unit was established in ensuring management, development and implementation of operational policies that govern the conduct of IA are observed. On a periodical basis, a Fund Performance Report shall be made available in AmBank Islamic's website disclosing the performance of the underlying assets which in turn facilitates the IAH in making their investment decision.

MTIA fund is invested in investment asset with competitive pricing and good asset quality. The investment asset subscribes to AmBank Islamic's internal credit controls as regulated by Bank Negara Malaysia. Investment asset allocated is Shariah compliant retail mortgage portfolio of AmBank Islamic. AmBank Islamic managed the investment return in a manner consistent with IAH investment objective and the related governing rules and regulations.

Valuation methodology employed is in accordance with sound industry practice and consistent with the Malaysian Financial Reporting Standards. AmBank Islamic monitored the performance of the Investment asset on monthly basis. The net return/loss on the MTIA are displayed at our branches and published on AmBank Islamic website.

MTIA Performance

As at 31 March 2022, balance of MTIA stood at RM361.3 million (31 March 2021: RM76.5 million). The performance of MTIA is as described in the table below:

As at 31 March 2022	%
Return on Assets ("ROA")	4.00
Average Net Distributable Income Attributable to IAH	2.12
Average Profit Sharing Ratio to IAH	53.23

As at 31 March 2021	%
Return on Assets ("ROA")	4.08
Average Net Distributable Income Attributable to IAH	2.36
Average Profit Sharing Ratio to IAH	57.98

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