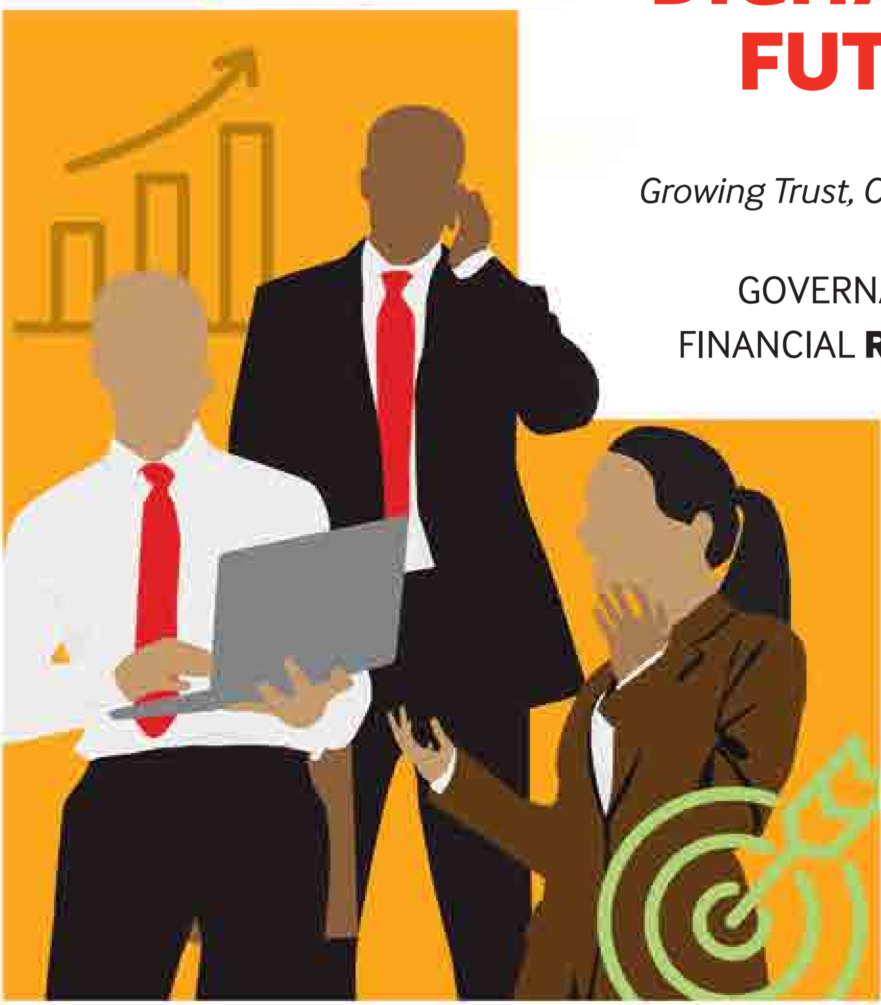
AmBank Group

TOWARDS A DIGITALISED FUTURE

Growing Trust, Connecting People

GOVERNANCE AND
FINANCIAL **REPORT 2021**



ABOUT OUR REPORT

AMMB Holdings Berhad's Integrated Report (AmBank Group Integrated Report 2021) is our principal report and is supplemented by supporting online disclosures for our stakeholders. These disclosures include condensed financial statements for our quarterly and yearly performance.

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).

Integrated Report (IR)

CONTENT

Provides a comprehensive overview of AmBank Group's performance, including milestones and achievements for the 2021 financial year and its outlook for FY2022.

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 Malaysia Berhad (Bursa Malaysia)
- Companies Act 2016
- Securities Commission Malaysian Code on Corporate Governance 2017
- Global Reporting Initiative (GRI) Standards
- Limited Assurance by SIRIM QAS International Sdn Bhd

Governance and Financial Report (GFR)

CONTENT

Provides detailed reporting of Corporate Governance Statements, as well as Financial Statements and the Audited Annual Financial Results for the 2021 financial year and its outlook for FY2022.

FRAMEWORKS & GUIDELINES

- Securities Commission Malaysian Code on Corporate Governance 2017
- MMLR of Bursa Securities
- Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia
- Companies Act 2016
- Bank Negara Malaysia (BNM) Policy Documents and Guidelines
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Financial Services Act 2013
- Islamic Financial Services Act 2013

AmBank Group Governance and Financial Report (GFR) 2021

This Report provides information on the comprehensive Governance approach towards protection of value in our activities, together with our financial performance for the period of 1 April 2020 to 31 March 2021 (FY2021) unless indicated otherwise.

Forward-Looking Statements

This Report contains certain forward-looking statements relating to AmBank Group's future performance. These statements and forecasts are based on current assumptions and circumstances which may change, hence necessarily involve uncertainties. Various factors may cause actual results to differ materially from those expressed or implied by these forward-looking statements.

Cross References

IR More information within the Integrated Report

GFR More information within the Governance and Financial Report

More information online at ambankgroup.com

ambankgroup.com

OUR VISION

Growing Trust, Connecting People

OUR PURPOSE

To help individuals and businesses in Malaysia grow and win together

01 We are not transactional. We focus on deepening relationships by acting as advisors and long-term partners to our customers. We earn the trust of our customers by being professional, reliable and efficient, and providing the best possible service.

02 We believe in supporting the growth of our customers, our people, and our business. We empower our stakeholders to achieve their aspirations. We will continue to help our customers, both individuals and businesses, financial and non-financial assistance to weather through the uncertainties of the COVID-19 pandemic to rebuild a better future. We also preserve our employees' well-being and productivity by ensuring everyone stays connected and engaged to keep the business moving forward.

03 We are a holistic, integrated multi-industry financial driven organisation. We go beyond traditional banking, by evolving into a trusted financial solution provider integrated seamlessly into our customers' daily lives. We will continue to leverage strategic ecosystem partnerships to tailor holistic offerings to our customers' needs.

04 Externally, we focus on helping our customers to become winners. Internally, we emphasise performance, teamwork and collaboration to achieve our goals.

05 We leverage opportunities to revolutionise our business and to help our customers grow and win together through our Focus 8 strategy.

WHAT'S INSIDE

AmBank Group

30th Annual General meeting

Venue

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

Date

Thursday,
2 September 2021

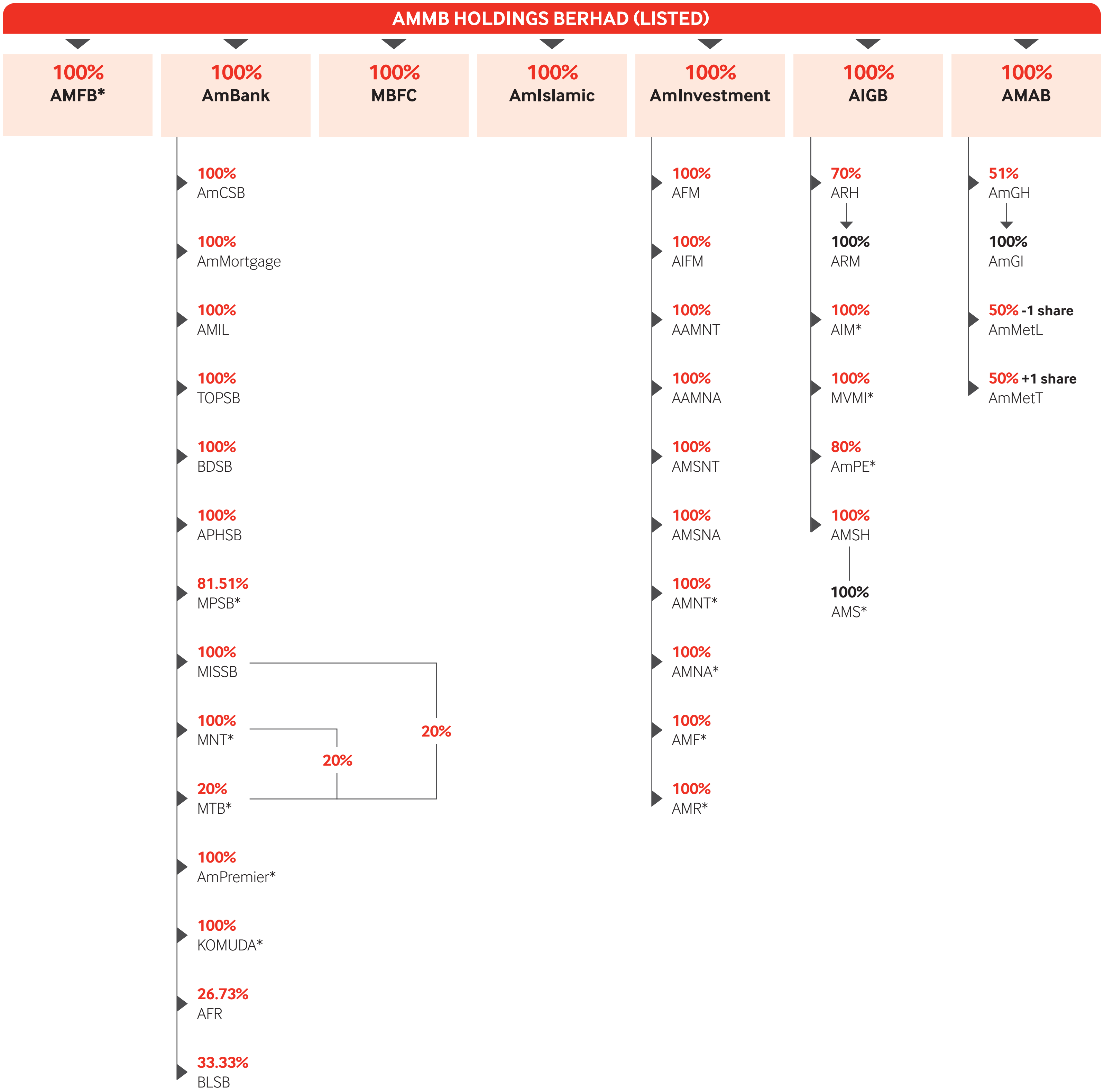
Time

10.00 a.m.

This annual report is available on the website at **ambankgroup.com**

HOW WE ARE STRUCTURED

as at 31 March 2021



1. *Subsidiaries under liquidation

Legend	Company	Principal Activities
AMMB	AMMB Holdings Berhad	Investment Holding
AMFB	AMFB Holdings Berhad	Dormant *(In Members' Voluntary Winding-Up)*
AmBank Islamic	AmBank Islamic Berhad	Islamic Banking
AmBank	AmBank (M) Berhad	Commercial Banking
AMIL	AmLabuan Holdings (L) Ltd	Investment Holding
AmCSB	AmCard Services Berhad	Outsourcing Servicer for Mortgage Related Services
AmPremier	AmPremier Capital Berhad	Dormant *(In Members' Voluntary Winding-Up)*
AmMortgage	AmMortgage One Berhad	Securitisation of Mortgage Loans
MTB	MBf Trustees Berhad	Dormant *(In Members' Voluntary Winding-Up)*
MNT	MBf Nominees (Tempatan) Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
MISSB	MBf Information Services Sdn Bhd	Property Investment
APHSB	AmProperty Holdings Sdn Bhd	Property Investment
BDSB	Bougainvillaea Development Sdn Bhd	Property Investment
MPSB	Malco Properties Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
TOPSB	Teras Oak Pembangunan Sendirian Berhad	Dormant
KOMUDA	Komuda Credit & Leasing Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AFR	AmFirst Real Estate Investment Trust	Investment in Real Estate
BLSB	Bonuskad Loyalty Sdn Bhd	Managing Customer Loyalty Schemes
AmInvestment	AmInvestment Bank Berhad	Investment Banking
AMF	AmFutures Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AFM	AmFunds Management Berhad	Funds Management Including Management of Unit Trusts and Private Retirement Schemes
AIFM	AmIslamic Funds Management Sdn Bhd	Islamic Fund Management Services and Distribution of Wholesale Funds
AMNT	AMMB Nominees (Tempatan) Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AMNA	AMMB Nominees (Asing) Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AAMNT	AM Nominees (Tempatan) Sdn Bhd	Nominee Services
AAMNA	AM Nominees (Asing) Sdn Bhd	Nominee Services
AMSNT	AMSEC Nominees (Tempatan) Sdn Bhd	Nominee Services
AMSNA	AMSEC Nominees (Asing) Sdn Bhd	Nominee Services
AMR	AmResearch Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AIGB	AmInvestment Group Berhad	Investment Holding
ARH	AmREIT Holdings Sdn Bhd	Investment Holding
ARM	AmREIT Managers Sdn Bhd	Management of Real Estate Investment Trusts
AMSH	AmSecurities Holding Sdn Bhd	Investment Holding
AIM	AmInvestment Management Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AmPE	AmPrivate Equity Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AMS	AMSEC Holdings Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
MVMI	Malaysian Ventures Management Incorporated Sdn Bhd	Dormant *(In Members' Voluntary Winding-Up)*
AMAB	AMAB Holdings Sdn Bhd	Investment Holding
AmGH	AmGeneral Holdings Berhad	Investment Holding
AMGI	AmGeneral Insurance Berhad	General Insurance
AmMetL	AmMetLife Insurance Berhad	Life Assurance
AmMetT	AmMetLife Takaful Berhad	Family Takaful
MBFC	MBF Cards (M'sia) Sdn Bhd	Dormant

FINANCIAL HIGHLIGHTS

TOTAL INCOME
RM4,552.5 Million

COST-TO-INCOME RATIO
46.8%

GROSS LOANS, ADVANCES AND FINANCING
RM114.8 Billion

DEPOSITS FROM CUSTOMERS
RM120.5 Billion

PROFIT BEFORE IMPAIRMENT LOSSES AND SETTLEMENT
RM2,420.2 Million

CASA GROWTH
24.0%

CET1 CAPITAL RATIO
11.3%

ADJUSTED PROFIT AFTER TAX AND MINORITY INTEREST (PATMI)
RM961.6 Million

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI AZMAN HASHIM
Chairman
Non-Independent Non-Executive Director

GRAHAM KENNEDY HODGES
Non-Independent Non-Executive Director

ROBERT WILLIAM GOUDSWAARD
Non-Independent Non-Executive Director

SOO KIM WAI
Non-Independent Non-Executive Director

VOON SENG CHUAN
Senior Independent Non-Executive Director

SEOW YOO LIN
Independent Non-Executive Director

FARINA BINTI FARIKHULLAH KHAN
Independent Non-Executive Director

HONG KEAN YONG
Independent Non-Executive Director

DATO' KONG SOOI LIN
Independent Non-Executive Director

AUDIT AND EXAMINATION COMMITTEE

Seow Yoo Lin
Chairman
Independent Non-Executive Director

Farina Binti Farikhullah Khan
Independent Non-Executive Director

Dato' Kong Sooi Lin
Independent Non-Executive Director

GROUP NOMINATION AND REMUNERATION COMMITTEE

Farina Binti Farikhullah Khan
Chairman
Independent Non-Executive Director

Graham Kennedy Hodges
Non-Independent Non-Executive Director

Soo Kim Wai
Non-Independent Non-Executive Director

Voon Seng Chuan
Senior Independent Non-Executive Director

Seow Yoo Lin
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Dato' Kong Sooi Lin
Chairman
Independent Non-Executive Director

Graham Kennedy Hodges
Non-Independent Non-Executive Director

Robert William Goudswaard
Non-Independent Non-Executive Director

Voon Seng Chuan
Senior Independent Non-Executive Director

Hong Kean Yong
Independent Non-Executive Director

GROUP INFORMATION TECHNOLOGY COMMITTEE

Hong Kean Yong
Chairman
Independent Non-Executive Director

Robert William Goudswaard
Non-Independent Non-Executive Director

Voon Seng Chuan
Senior Independent Non-Executive Director

GROUP COMPANY SECRETARY

Koid Phaik Gunn
(MAICSA 7007433)
(SSM Practising Certificate No. 202008003140)
Chartered Secretary

REGISTERED OFFICE

22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel : +603-2036 2633
Fax : +603-2032 1914

AUDITORS

Messrs Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants
Level 23A, Menara Millenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

PRINCIPAL BANKER

AmBank (M) Berhad

REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : +603-7890 4700
Fax : +603-7890 4670
Email : bsr.helpdesk@boardroomlimited.com

WEBSITE

ambankgroup.com

STOCK EXCHANGE LISTING

Listed on the Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 13 February 1992
Stock Name : AMBANK
Stock Code : 1015

INVESTOR RELATIONS

ir@ambankgroup.com

PROFILE OF THE BOARD OF DIRECTORS

TAN SRI AZMAN HASHIM
Chairman
Non-Independent Non-Executive Director

Nationality:	Malaysian
Age / Gender:	82 / Male
Date of Appointment:	15 August 1991
Membership of Board Committees:	• None
Qualifications:	• Fellow Chartered Banker (FCB) • Fellow, Institute of Chartered Accountants (Australia) • Fellow, Institute of Chartered Secretaries and Administrators
Directorship(s) in Listed Issuers:	• None
Experience:	• Tan Sri Azman Hashim has been in the banking industry since 1960 when he joined Bank Negara Malaysia. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He was on the board of Malayan Banking Berhad from 1966 to 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until 1982 when he acquired AmInvestment Bank Berhad. • Tan Sri Azman is the Non-Independent Non-Executive Chairman of AmGeneral Holdings Berhad and AmInvestment Group Berhad, both of which are subsidiaries of AMMB Holdings Berhad (AMMB). He is also the Executive Chairman of Amcorp Group Berhad. • Tan Sri Azman is Chairman of the Asian Institute of Chartered Bankers, Asian Banking School Sdn Bhd, Malaysia South-South Corporation Berhad, Financial Industry Collective Outreach (FINCO), Universiti Teknologi Malaysia – Azman Hashim International Business School Advisory Council and Chairman Emeritus of Pacific Basin Economic Council (PBEC). • Tan Sri Azman is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and a Member of the East Asia Business Council. He is also the Leader of the ASEAN Japan Business Meeting (Malaysia Committee, Keizai Doyukai). He is the Pro-Chancellor of Open University of Malaysia and University Malaysia Sabah and a Member of the Academic Advisory Council, Universiti Teknologi Petronas. He is also one of the five Vice-Presidents of Kuen Cheng High School. • Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee of AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Tuanku Najihah Foundation and Yayasan Canselor Open University Malaysia.
Declaration:	*He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB except as follows:* • *Director and substantial shareholder of Amcorp Group Berhad, which in turn is a substantial shareholder of AMMB, and being a director of Clear Goal Sdn Bhd, his family company which is deemed a substantial shareholder of AMMB by virtue of its interest in Amcorp Group Berhad.* *He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.*

GRAHAM KENNEDY HODGES

Non-Independent Non-Executive Director

Nationality: Australian

Age / Gender: 66 / Male

Date of Appointment: 30 June 2016

Membership of Board Committees:
- Member of Risk Management Committee
- Member of Group Nomination and Remuneration Committee

Qualifications:
- Bachelor of Economics (Honours), Monash University, Australia

Directorship(s) in Listed Issuers:
- None

Experience:
- Graham Kennedy Hodges was appointed the Deputy Chief Executive Officer of Australia and New Zealand Banking Group Limited (ANZ) in May 2009, and had stepped down from the role effective May 2018. Prior to that, he was the Chief Executive Officer and a director of ANZ National Bank Limited responsible for the running of ANZ Group's New Zealand business.
- He has held the position of Group Managing Director, Corporate and various other roles in Corporate and Business Banking. He joined ANZ in 1991 and was appointed Chief Economist in 1992, a post he held for three years.
- Before ANZ, Mr Hodges spent several years with the International Monetary Fund in Washington DC and nine years in Commonwealth Treasury in Canberra.
- He is an Independent Non-Executive Chairman of Regis Healthcare Limited, a healthcare company listed on the Australian Securities Exchange.
- He is also a Non-Executive Director of Assemble Communities Pty Ltd, a business focused on development of affordable housing in Australia.

Declaration:

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB except as follows:

- *Board representative of Australia and New Zealand Banking Group Limited, which is deemed a substantial shareholder of AMMB by virtue of its interest in ANZ Funds Pty Ltd, a substantial shareholder of AMMB.*

He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF THE BOARD OF DIRECTORS

ROBERT WILLIAM GOUDSWAARD
Non-Independent Non-Executive Director

Nationality:	Australian
Age / Gender:	61 / Male
Date of Appointment:	25 March 2021
Membership of Board Committees:	• Member of Risk Management Committee • Member of Group Information Technology Committee
Qualifications:	• Bachelor of Economics, La Trobe University • Graduate Diploma of Corporate Finance, RMIT University • Fellow, Australian Institute of Company Directors • Fellow, Financial Services Institute of Australasia • Fellow, Leadership Victoria • INSEAD International Directors Programme
Directorship(s) in Listed Issuers:	• None
Experience:	• Robert William Goudswaard has over 40 years of experience in financial services, both internationally and within Australia. He was the Chief Executive Officer of Credit Union Australia, Australia's largest credit union, before he stepped down in 2019 • He spent 30 years with Australia and New Zealand Banking Group ('ANZ'), holding senior roles including Chief Risk Officer and Managing Director of various areas such as Small and Medium Business, Regional and Small Business, Pacific and Personal Banking Asia. • He has extensive experience as Non-Executive Director ('NED') on boards such as Rural Finance, Places Victoria, CUA Health, Cuscal, Lawson Grains, Cornerstone Healthcare Management Fund, and Centelon. • He is a Non-Executive Director of Cashrewards Limited, a cashback-centred e-commerce ecosystem company listed on the mainboard of the Australian Securities Exchange. • He has been and is involved with charitable organisations such as NED at World Vision Australia, Business Council of Co-Operatives and Mutuals, Young Farmers Finance Council, Orygen and Orygen Mental health Foundation Ltd.
Declaration:	*He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB except as follows:* • *Board representative of Australia and New Zealand Banking Group Limited, which is deemed a substantial shareholder of AMMB by virtue of its interest in ANZ Funds Pty Ltd, a substantial shareholder of AMMB.* *He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.*

SOO KIM WAI
Non-Independent Non-Executive Director

Nationality: Malaysian

Age / Gender: 60 / Male

Date of Appointment: 4 October 2002

Membership of Board Committees:
- Member of Group Nomination and Remuneration Committee

Qualifications:
- Member, Malaysian Institute of Accountants
- Member, Malaysian Institute of Certified Public Accountants
- Fellow, Certified Practising Accountant, Australia
- Fellow, Association of Chartered Certified Accountants, United Kingdom

Directorship(s) in Listed Issuers:
- Director, RCE Capital Berhad
- Director, Amcorp Properties Berhad

Experience:
- Soo Kim Wai is currently the Group Managing Director of Amcorp Group Berhad. He joined Amcorp Group Berhad in 1989 as Senior Manager, Finance, and has since held various positions before he was promoted to his current appointment. Prior to that, he was with Plantation Agencies Sdn Bhd from 1985 to 1989, and in the accounting profession for five years with Deloitte KassimChan from 1980 to 1985.
- He sits on the board of some private limited companies and foreign companies. He also serves as Non-Independent Non-Executive Chairman of AmREIT Managers Sdn Bhd, the Manager of AmFirst Real Estate Investment Trust. He is also the Non-Independent Non-Executive Chairman of AmREIT Holdings Sdn Bhd.
- He is a Non-Independent Non-Executive Director of AmBank (M) Berhad, a wholly-owned subsidiary of AMMB.
- He is also a Non-Independent Non-Executive Director of Amcorp Global Ltd, a subsidiary of Amcorp Group Berhad, listed on the mainboard of the Singapore Stock Exchange.

Declaration:

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB except as follows:

- *Group Managing Director of Amcorp Group Berhad, which is a substantial shareholder of AMMB.*

He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF THE BOARD OF DIRECTORS

VOON SENG CHUAN
Senior Independent Non-Executive Director

Nationality:	Malaysian
Age / Gender:	62 / Male
Date of Appointment:	18 June 2015
Membership of Board Committees:	• Member of Group Nomination and Remuneration Committee • Member of Group Information Technology Committee • Member of Risk Management Committee
Qualifications:	• Bachelor of Science (Honours) in Mathematics, University of Malaya
Directorship(s) in Listed Issuers:	• Director, Mesiniaga Berhad
Experience:	• Voon Seng Chuan has been part of the Information Technology (IT) industry for about three decades. In April 2008, he joined the IBM Quarter Century Club reflecting his 25 years of service in IBM. He retired from IBM in March 2010. • In his 27 years of service with IBM, he held a number of roles delivering all aspects of IT products and services for clients in all industry segments in Malaysia and the Asia Pacific region. His last role in IBM prior to his retirement was Director for Mid-Market Segment in Asia Pacific. • From 2000 to 2006, he was the Managing Director for IBM Malaysia and Brunei. He responded to the Malaysian Government's call to transform the nation into an international shared services and outsourcing hub by leading IBM's investment in seven regional centres/operations in Malaysia. In doing so, IBM is well positioned to transfer best practices and high-skilled expertise to the country. • In 2013, he was recognised with the "Outsourcing Leader of the Year" award by Outsourcing Malaysia. He was also a Council Member of PIKOM (National ICT Association of Malaysia) from 1994/1995 and 1999/2000. • He is also an Independent Non-Executive Chairman of AmBank (M) Berhad, a wholly-owned subsidiary of AMMB.
Declaration:	*He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.* *He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.*

SEOW YOO LIN
Independent Non-Executive Director

Nationality: Malaysian

Age / Gender: 65 / Male

Date of Appointment: 30 June 2016

Membership of Board Committees:
- Chairman of Audit and Examination Committee
- Member of Group Nomination and Remuneration Committee

Qualifications:
- Certified Public Accountant
- Master of Business Administration, International Management Centre, Buckingham, United Kingdom
- Member, Malaysian Institute of Accountants
- Member, Malaysian Institute of Certified Public Accountants

Directorship(s) in Listed Issuers:
- Director, Hume Industries Berhad

Experience:
- Seow Yoo Lin joined KPMG Malaysia in 1977 and qualified as a Certified Public Accountant in 1980. In 1983, he was seconded to KPMG United States to gain overseas experience, specialising in banking assignments. He returned in 1985 and was admitted as Partner in 1991.
- He has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. In addition, he held various leadership roles including those of Human Resource Partner, Partner in charge of Financial Services and a member of the KPMG Asia Pacific Board.
- He was a member of Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2010 and a Council member of the Malaysian Institute of Accountants from 2007 to 2011. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.
- He is also an Independent Non-Executive Director of AmInvestment Bank Berhad, a wholly-owned subsidiary of AMMB.

Declaration:

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.

He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF THE BOARD OF DIRECTORS

FARINA BINTI FARIKHULLAH KHAN
Independent Non-Executive Director

Nationality:	Malaysian
Age / Gender:	49 / Female
Date of Appointment:	8 August 2017
Membership of Board Committees:	• Chairman of Group Nomination and Remuneration Committee • Member of Audit and Examination Committee
Qualifications:	• Bachelor of Commerce in Accounting, University of New South Wales, Australia • Fellow, Chartered Accountants Australia and New Zealand • Advanced Management Program, Harvard Business School, United States of America
Directorship(s) in Listed Issuers:	• Director, Petronas Gas Berhad • Director, KLCC Property Holdings Berhad • Director, Icon Offshore Berhad
Experience:	• Farina binti Farikhullah Khan has over 25 years of working experience, predominantly in oil and gas industry. • She started out her career in 1994 with Coopers & Lybrand, Australia in the Business Services unit for three years. • In 1997, she returned to Malaysia to join Petroliam Nasional Berhad (PETRONAS) in the Corporate Planning and Development Division where she started as an executive and in the ensuing years until 2005, she held various positions including Senior Manager (Strategy and Portfolio) in Group Strategic Planning of PETRONAS. • She subsequently assumed the position of Chief Financial Officer of PETRONAS Carigali Sdn Bhd, one of the largest subsidiaries of PETRONAS with operations in over 20 countries, from 2006 to 2010. She then served as the Chief Financial Officer at PETRONAS Exploration and Production Business, the largest arm of PETRONAS Business, from mid-2010 until 2013, where the business included both PETRONAS Carigali Group of Companies as well as the Petroleum Management Unit of PETRONAS. • Prior to leaving PETRONAS Group at the end of 2015 to pursue her other interests, she was the Chief Financial Officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS, for two years. • She had also previously served on the Board of various PETRONAS entities, such as Progress Energy Canada Ltd as well as a number of PETRONAS joint venture entities with foreign partners. • She is also an Independent Non-Executive Director of AmBank Islamic Berhad, a wholly-owned subsidiary of AMMB. • She is an Independent Non-Executive Director of KLCC REIT Management Sdn Bhd, the Manager of KLCC Real Estate Investment Trust and also a Non-Executive Director of EnQuest PLC, listed on London Stock Exchange.
Declaration:	*She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.* *She has not been convicted for any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.*

HONG KEAN YONG
Independent Non-Executive Director

Nationality: Malaysian

Age / Gender: 58 / Male

Date of Appointment: 10 October 2019

Membership of Board Committees:

- Chairman of Group Information Technology Committee
- Member of Risk Management Committee

Qualifications:

- Bachelor of Engineering (Honours) in Electrical and Electronics Engineering, University of Malaya

Directorship(s) in Listed Issuers:

- Director, Time Dotcom Berhad

Experience:

- Hong Kean Yong was the Senior Vice President of Strategic Planning and Technology Advisor at Taylors Education Group from April 2011 until June 2018, where his primary responsibility was to advise the Group Chief Executive Officer on adoption of information technology in the various operating divisions and provide oversight of Chief Information Officer of Higher Education Division.
- Prior to that, he was the Group Chief Information Officer for Hong Leong Financial Group Berhad from April 2008 to March 2011. He was responsible for the Group IT Strategy and IT Oversight of all subsidiary companies. He played an important role in setting the IT Vision and Mission and the synergies in the application of technology to enable business, including the IT architecture, design and development across the financial services group.

Declaration:

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.

He has not been convicted for any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF THE BOARD OF DIRECTORS

DATO' KONG SOOI LIN
Independent Non-Executive Director

Nationality: Malaysian

Age / Gender: 60 / Female

Date of Appointment: 30 October 2019

Membership of Board Committees:

- Chairman of Risk Management Committee
- Member of Audit and Examination Committee

Qualifications:

- Bachelor of Commerce (Honours), University of New South Wales, Australia
- Fellow, Certified Practising Accountant, Australia
- Chartered Banker, Asian Institute of Chartered Bankers
- Chartered Accountant, Malaysian Institute of Accountants

Directorship(s) in Listed Issuers:

- Director, Eco World International Berhad

Experience:

- Dato' Kong Sooi Lin has over 30 years of investment banking experience and has extensive equity and debt transaction expertise, having advised on numerous highly profiled and industry-shaping corporate exercises in Malaysia and Asia Pacific.
- She began her career with Ernst & Whinney (now known as Ernst & Young PLT) and Arthur Anderson & Co. and then joined Bumiputra Merchant Bankers Berhad under Corporate Banking in 1989.
- In 1994, she joined CIMB Investment Bank Berhad (CIMB Investment Bank) and has been with CIMB Group Holdings Berhad (CIMB Group) for 25 years until her retirement from CIMB Investment Bank as its Chief Executive Officer in March 2019. Throughout her tenure with CIMB Group, Dato' Kong has contributed significantly to entrenching CIMB as one of the top investment banking houses domestically and across ASEAN.
- She has held various capacities within CIMB Group. Her roles include Group Head of Investment Banking Division for the Asia Pacific region, Group Head of Private Banking, Head of Senior Bankers Group, Chairperson of CIMB Private Limited Sri Lanka and Commissioner on the Board Commissioners of CIMB Securities Indonesia.
- She is also an Independent Non-Executive Director of AmInvestment Bank Berhad, a wholly-owned subsidiary of AMMB.
- She is a Director of Malaysia Venture Capital Management Berhad.

Declaration:

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.

She has not been convicted for any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF COMPANY SECRETARY

KOID PHAIK GUNN
Group Company Secretary

Nationality:	Malaysian
Age / Gender:	55 / Female
Date of Appointment:	9 March 2010

Qualifications:

- Fellow, Institute of Chartered Secretaries and Administrators (ICSA)
- Bachelor of Law, University of London, United Kingdom

Directorship(s) in Listed Issuers:

- None

Experience:

- Koid Phaik Gunn has more than three decades of experience in corporate secretarial practice. She joined the Group in 1993 as Company Secretary of AmSecurities Sdn Bhd, then the stockbroking arm of the Group.
- In 2004, she moved to the Group Legal and Company Secretarial Department as Deputy Group Company Secretary. She has been the Group Company Secretary of the Group since 2009.
- Prior to joining the Group, she was in company secretarial practice for nine years.

Declaration:

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of AMMB.

She has not been convicted of any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF GROUP SENIOR MANAGEMENT

DATO' SULAIMAN BIN MOHD TAHIR
Group Chief Executive Officer
AmBank Group

Malaysian | Male | 58 years old

Date of Appointment
23 November 2015

Qualification(s)

- Bachelor of Accounting, RMIT University Australia
- Chartered Banker, Asian Institute of Chartered Bankers

Responsibilities

As Group Chief Executive Officer of AmBank Group, Dato' Sulaiman bin Mohd Tahir oversees the management of all Group businesses, ensuring that each business unit contributes to sustainable growth and long-term value creation for the benefit of all stakeholders, particularly, shareholders, customers and employees.

Experience

With his expertise cultivated over more than three decades of spearheading growth in the Malaysian banking industry, Dato' Sulaiman has introduced a new archetype at AmBank Group through transformational efforts premised on innovation.

His strong commitment to embracing digital advances in the banking industry has produced multiple initiatives that have accelerated the Group's digital transformation, ensuring AmBank's position at the forefront of digital adoption for the industry.

With Dato' Sulaiman's purposeful leadership, supported by the spirited and skilled AmBank talent pool, today, the Group is an award-winning bank delivering leading-edge banking solutions as well as enhanced customer experiences.

Dato' Sulaiman started out his career with an accounting firm, which later became PricewaterhouseCoopers, before joining the Bank of Commerce in 1987. Before joining AmBank Group, Dato' Sulaiman held various key positions in an ASEAN bank.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

JAMIE LING
Group Chief Financial Officer
AmBank Group

Malaysian | Male | 52 years old

Date of Appointment
1 June 2017

Qualification(s)

- Bachelor of Arts (Honours) in Economics and Accounting, University of Newcastle Upon Tyne, United Kingdom
- Fellow, Institute of Chartered Accountants England and Wales, United Kingdom
- Member, Association of Chartered Certified Accountants
- Alumni, Executive Management Programmes of Templeton College, Oxford University, and INSEAD

Responsibilities

Jamie Ling, as the Group Chief Financial Officer, manages the full spectrum of AmBank Group's finance. He assumes the responsibility of overseeing the Group's financial strategy and implementation, as well as the Group's business strategy.

Experience

Jamie has garnered over two decades of regional and international banking experience across Asia and Europe. His in-depth commercial and financial experience covers key roles held in treasury, finance, risk management, and sales in international banking institutions.

After being qualified as a Chartered Accountant in London, Jamie joined HSBC Bank's headquarters in London before moving into Standard Chartered Bank where he held leadership roles in Malaysia, the United Kingdom, and North East Asia. Jamie was the Regional Chief Financial Officer of Standard Chartered Bank for Greater China and North East Asia, managing the finance function of offices in Hong Kong, Taiwan, China, South Korea, and Japan. He also served as a Board member and Finance Director of Standard Chartered (Hong Kong) Limited, where Hong Kong was the largest market of the group.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

RAJA TEH MAIMUNAH RAJA ABDUL AZIZ
Managing Director
Wholesale Banking, AmBank Group

Malaysian Female 53 years old

Date of Appointment
7 February 2017

Qualification(s)

- Bachelor of Laws LLB (Honours), University of East London, United Kingdom
- Chartered Banker, Asian Institute of Chartered Banker
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals

Responsibilities

Raja Teh Maimunah spearheads the Group's Wholesale Banking division encompassing Group Treasury and Markets, Group Transaction Banking, Wholesale Banking Client Coverage, Corporate Banking and Credit Administration.

Experience

Raja Teh Maimunah carries more than 25 years' experience in the banking industry with previous roles covering Investment Banking, Islamic Banking and Digital Banking. Her expertise encompasses corporate and transaction banking, Islamic financing and investments, digital payment and collection solutions, equity and debt origination, equity sales, mergers and acquisitions, proprietary investments, initial and secondary public offerings, asset-based securitisation and debt restructuring and recovery.

Prior to her current role, she was the Chief Executive Officer of AmInvestment Bank and prior to that she was the Managing Director and Chief Executive Officer of Hong Leong Islamic Bank, as well as the Chief Operating Officer of Digital Innovations & Transaction Banking of the Hong Leong Bank Group. The other roles she had held include Global Head, Islamic Markets at Bursa Malaysia Berhad; Chief Corporate Officer and Head, International Business, Corporate and Investment Banking at Kuwait Finance House (Malaysia); Senior Director at Bank Alkhair (Bahrain); Associate Director at CIMB Investment Bank and Senior Vice President, Investment Banking at RHB Investment Bank. She spent her early years with KPMG Peat Marwick Consultants, before transitioning to the banking and finance industry.

Directorship(s)

Board Member and Board Risk Committee Member of Kumpulan Wang Persaraan (Diperbadankan) (Malaysia's Public Pension Fund). She is also a Member of the Board of Trustees of Amanah Warisan Negara.

Declaration

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

She has not been convicted of any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

TRACY CHEN
Chief Executive Officer
AmInvestment Bank Berhad

Malaysian Female 56 years old

Date of Appointment
28 October 2020

Qualification(s)

- Bachelor of Management (First Class Hons.), University Sains Malaysia
- Capital Market Services Representative's Licence (CMSRL)

Responsibilities

As the Chief Executive Officer of AmInvestment Bank, Tracy Chen is responsible for stewarding the investment bank's full range of integrated solutions and services including corporate finance, equity capital markets, debt and sukuk origination, private banking, fund management and stockbroking services.

Tracy also actively engages with other participants in the investment banking industry through her position as Council Member of the Malaysian Investment Banking Association for 2021/2022.

Experience

Tracy has more than 30 years' experience in investment banking and financial services industry.

Before joining the AmBank Group, Tracy served almost two decades at CIMB Investment Bank where she held several senior roles in coverage and origination of investment banking business including the position of Senior Managing Director and Co-Head of Senior Bankers Group. She is highly regarded as one of the most experienced industry professionals, having advised on numerous high profile and innovative debt and equity transactions. She started her banking career in Ban Hin Lee Bank and Standard Chartered Bank whereby she gained experience in corporate banking and cash management. She then ventured into investment banking when she joined Affin Merchant Bank.

Directorship(s) in Listed Issuers

None

Declaration

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

She has not been convicted of any offence within the past five years nor has any public sanction or penalty been imposed against her by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF GROUP SENIOR MANAGEMENT

AARON LOO
Managing Director
Retail Banking, AmBank Group

Malaysian | Male | 48 years old

Date of Appointment
1 September 2019

Qualification(s)

- Bachelor of Engineering in Computation with First Class Honours, Imperial College, London
- Master of Science in Advanced Computation, Imperial College, London

Responsibilities

Aaron oversees AmBank Group's Retail Banking division and is responsible for the development and execution of AmBank's retail banking strategy encompassing both individuals as well as small businesses. His area of responsibility covers business and strategic planning, channel management, product development, customer experience and care as well as operations and credit management.

His current area of focus is to strengthen AmBank's position in the affluent, mass affluent and SME segments through development of integrated value propositions delivered via enhanced channels both physical such as branches and relationship managers or virtual ones via digital banking and call centres.

He is also working on developing innovative new solutions for customers through partnerships and alliances.

Experience

Aaron Loo is a veteran banker with more than 20 years of experience in the financial services sector. He started his career in McKinsey & Company before moving to the financial services industry where he held senior roles in CIMB, Alliance Bank, Standard Chartered and OCBC Bank.

Aaron was most recently the Digital Transformation Officer working in OCBC's head office in Singapore where he drove the digital transformation efforts for OCBC's Malaysian franchise. Prior to that, Aaron was the Country Head of Retail Banking for Standard Chartered Bank Malaysia where he grew the Priority Banking and Retail SME businesses whilst leading the Bank's digital transformation programme.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

CHRISTOPHER YAP HUEY WEN
Managing Director
Business Banking, AmBank Group

Malaysian | Male | 48 years old

Date of Appointment
2 February 2017

Qualification(s)

- Bachelor of Science, Business Administration, St. Cloud State University, United States of America

Responsibilities

Christopher Yap steers AmBank Group's Business Banking division with core focus on growing the Small and Medium-Sized Enterprises (SMEs) and Commercial Banking segments by leveraging on a collaborative culture and partnerships with SMEs. He takes charge of strategy development and execution to expand the Group's presence and market share in the entrepreneurial and SME sector through market-responsive products, business efficiency solutions, and service excellence. He has also introduced various new initiatives and opportunities to helps SMEs accelerate their digital strategy.

Since the inception of Business Banking in 2017, the division's revenue has grown at a Compound annual growth rate of 17.6%.

Experience

Christopher Yap holds more than two decades of financial services experience, with a major portion spent on commercial and SME segments. He began his career in trade services with Citibank Malaysia. He also held the SME portfolio at Alliance Bank where he was instrumental in growing the bank's SME business to a 25% share of the bank's revenue.

Directorship(s) in Listed Issuers

Non-Independent Non-Executive Director of AmREIT Holdings Sdn Bhd and AmREIT Managers Sdn Bhd

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

EQHWAN MOKHZANEE BIN MUHAMMAD

Chief Executive Officer
AmBank Islamic Berhad

Malaysian | Male | 45 years old

Date of Appointment
1 April 2015

Qualification(s)

- Bachelor's Degree in Economics, University of Cambridge, United Kingdom (1997)
- Master's Degree in Economics, University of Cambridge, United Kingdom (2000)
- Harvard Senior Management Development Programme (2010)
- Associate/Fellow, Institute of Chartered Accountants in England and Wales (ICAEW) (2001/2017)
- Chartered Accountant, Malaysian Institute of Accountants (MIA) (2002)
- Chartered Banker, Asian Institute of Chartered Bankers (AICB) (2015)
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CIIF) (2018)

Others

- Member, Industry Advisory Panel of Azman Hashim International Business School, Universiti Teknologi Malaysia (UTM) (From 2018)
- Professor of Practice, The International Centre for Education in Islamic Finance (INCEIF) (2019)

Responsibilities

Eqhwan manages and oversees AmBank Islamic and is also responsible to chart its strategic direction, and champions AmBank Group's Sustainability Agenda.

Experience

Eqhwan has more than 20 years of corporate and financial services experience. He started his career with PricewaterhouseCoopers in London before joining the corporate advisory practice of PricewaterhouseCoopers in Kuala Lumpur.

Prior to joining AmBank Islamic, Eqhwan worked with local and foreign banks, and in the corporate sector, where he gained experience in inter alia business development, corporate management, debt capital markets, corporate finance, corporate banking, financial advisory, real estate investments and international business. He has developed award-winning and innovative Islamic financial structures, and authored research papers on Islamic finance.

Eqhwan is the 1st Chairman of the industry-level Value-based Intermediation (VBI) Working Group to develop sectoral guides for the palm oil, energy efficiency and renewable energy sectors and activity which were issued on 31 March 2021.

Eqhwan was named as the Best Islamic Banking CEO Malaysia by Global Banking & Finance Review for three (3) consecutive years (2019 to 2021) and the Islamic Banker of the Year 2019 by Global Islamic Finance Awards. He was also conferred the Banking CEO of the Year Malaysia 2020 Award by International Business Magazine.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

DATUK ISWARAAN SUPPIAH

Group Chief Operation Officer
AmBank Group

Malaysian | Male | 57 years old

Date of Appointment
2 February 2017

Qualification(s)

- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants
- Member, Financial Planning Association of Malaysia

Responsibilities

Datuk Iswaraan Suppiah is in charge of both Group Information Technology and Operation (GIOD); and the Digital Banking divisions, mandated to institutionalise digitalisation and information technology within the Group's operations. He oversees and ensures, among others, the effective rollout of the Group's digital blueprint, AmDigital.

Experience

Datuk Iswaraan was the Group Chief Information and Operations Officer for CIMB Group before joining AmBank, where he managed the bank's digital transformation, information system and banking operations across all businesses and geographies. His core emphasis centred on digitalising the bank through strategic application of technology and innovation.

His three-decade career began in audit with the accountancy firm Arthur Anderson, before joining the Bank of Commerce in 1991. He joined CIMB Securities subsequently in 1994 where he held various roles in operations, equity risk, strategy risk and compliance. He became the Executive Director of Operations, prior to moving to the parent company, CIMB Merchant Bank in 2000.

Since joining AmBank in 2017, has built 2 award winning online channels in-house, implemented state-of-the-art analytics, driven process automation and embraced open-source adoption. He is responsible for co-creating Digital Strategy of the bank, with lines-of-business. He championed significant growth in digital adoption and revenue among all AmBank customer segments.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF GROUP SENIOR MANAGEMENT

FARADINA BINTI MOHAMMAD GHOUSE
Group Chief Compliance Officer
AmBank Group

Malaysian | Female | 51 years old

Date of Appointment
15 March 2016

Qualification(s)

- Chartered Banker
- Bachelor of Management (Honours), University of Science, Malaysia

Responsibilities

Faradina binti Mohammad Ghouse is responsible for overseeing the Group's compliance function and ensuring enterprise-wide compliance with all internal and external policies, legal frameworks and regulations. Her role includes effective management of compliance risk and reinforcement of ongoing efforts to uphold the highest standards of integrity across the Group's businesses.

Experience

Faradina has 26 years of experience in the Malaysian, regional and global financial industry, covering Anti Money Laundering (AML) operations, audit, trade operations, and securities and fund services. She began her career as a dealer representative with a stockbroking firm, before joining Citibank Malaysia as a Management Associate. She then took on the role of Account Manager for Citigroup Securities & Fund Services Malaysia and was later promoted to Head of Operations, for Citigroup Securities & Fund Services and Trade Operations for Citibank Berhad. Following that she assumed the role of Audit Manager for Citigroup's APAC Audit & Risk Review division based in Singapore. She then returned to Malaysia as the Head of Operations for Citigroup's AML Transaction Monitoring Operations Hub, based in Kuala Lumpur. Prior to joining the AmBank Group, she was appointed Citigroup's Global Head of Transaction Monitoring Standards and Training for AML Operations.

Directorship(s) in Listed Issuers

None

Declaration

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

She has not been convicted of any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

JEROEN THIJS
Group Chief Risk Officer
AmBank Group

Netherlands | Male | 54 years old

Date of Appointment
1 January 2017

Qualification(s)

- Masters of Business and Finance, Erasmus University Rotterdam, Netherlands

Responsibilities

Jeroen Thijs is responsible for strategising, monitoring, identifying, and enforcing the Group's risk management framework to safeguard the Group's financial, operational, market, and reputational integrity. He also plays the crucial role of supporting the Group's growth strategy and endeavours by ensuring that sound risk practices are adhered to and business outcomes are achieved.

Experience

Jeroen Thijs has worked across Asia and Europe in his over 30 years of experience in risk management, corporate banking, structured finance, and treasury functions. Having worked in Malaysia since 2009, he has garnered considerable exposure and insights into the Malaysian conventional and Islamic banking models and risk landscape.

Jeroen began his career as a credit analyst with Rabobank International in Singapore, before moving to senior roles with ABN AMRO Bank in Japan, Singapore, the Netherlands, and the United Kingdom. Prior to AmBank, he has held key roles in reputed banking institutions, including Country Chief Risk Officer for OCBC Bank Malaysia and Chief Risk Officer for Bank Islam Malaysia.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PENELOPE GAN
Group Chief Human Resource Officer
AmBank Group

Malaysian | Female | 44 years old

Date of Appointment
1 March 2018

Qualification(s)

- Bachelor of Commerce, University of Melbourne, Australia

Responsibilities

Penelope Gan holds the important role of strategising, developing, and implementing AmBank Group's human capital management to meet the organisation's overall business objectives and transformation milestones. Some of the key aspects which falls under her purview include manpower planning, organisational and performance management, talent development and succession management, engagement and change management, as well as compensation.

She provides strategic counsel and leadership on human capital issues and defines plans to enhance the bank's human capital performance to the executive management team, shareholders, and the Board of Directors.

Experience

Penelope garnered more than two decades of experience covering the full spectrum of human resource function with tract record of leading organisational transformation and post-merger and acquisition turnaround programmes. She joined AmBank Group in October 2014 as the Head of Group Rewards and Performance Management to drive market-competitive rewards and compensation practices.

Her role expanded to include Group Organisation Development in 2015, where she helmed the Group's Human Resources Center of Excellence. In this capacity, she renewed the Group's talent and succession management, mapped the Group's workforce of the future blueprint, reenergise employee engagement programmes and kick started the employee sustainability agenda, while supporting the occupational, health, safety and environmental agenda.

Identified as one of the Group's talent, she was appointed Deputy Group Chief Human Resource Officer in 2017 and assumed the Group Chief Human Resource Officer role in 2018.

Directorship(s) in Listed Issuers

None

Declaration

She does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

She has not been convicted of any offence within the past five years nor has she been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

SHAMSUL BAHROM BIN MOHAMED IBRAHIM
Group Chief Internal Auditor
AmBank Group

Malaysian | Male | 46 years old

Date of Appointment
25 September 2017

Qualification(s)

- Chartered Banker, Chartered Banker Institute – United Kingdom & Asian Institute of Chartered Bankers
- Certification for Bank Auditor – Asian Institute of Chartered Bankers
- Certified Professional in Financial Crime Compliance – International Compliance Association & Asian Institute of Chartered Bankers
- Chartered Professional in Islamic Finance – Chartered Institute of Islamic Finance Professionals
- Cybersecurity Fundamentals Certificate – Information Systems Audit and Control Association
- Qualified Risk Auditor – Institute of Enterprise Risk Practitioners
- Masters of Business Administration – University of Strathclyde, Glasgow, Scotland, United Kingdom
- Certified Information Security Awareness Manager – Ministry of Science, Technology and Innovation & Cybersecurity Malaysia
- Bachelor of Science (Honours) in Finance and Accounting – University of Salford, Manchester, United Kingdom
- Chairman of Chief Internal Auditors Networking Group – Asian Institute of Chartered Bankers (2019-2022)

Responsibilities

Shamsul Bahrom bin Mohamed Ibrahim is tasked with providing insights into AmBank Group's overall governance, systems of internal control, and the corresponding compliance culture within its business operations. The primary role of the Group Internal Audit function is to safeguard the assets, reputation and sustainability of AmBank Group and as the Group Chief Internal Auditor, Shamsul facilitates Board and Management oversight by ensuring the effectiveness of the systems of internal control, including compliance with relevant laws and regulations as well as recommending the required risk mitigation measures.

Experience

Shamsul has over 22 years of internal auditing experience, having joined AmBank Group as an executive in 1999 and had rose through the ranks to lead the Group's Internal Audit Division. Throughout the years, he has headed the audit teams for various business units within the Group. Prior to his current appointment, he was the Deputy Group Chief Internal Auditor and Portfolio Audit Head for Wholesale Banking, Markets, and Fund Management Division. Shamsul is also the current Chairman of the Chief Internal Auditors Networking Group, an expert networking group established by the Asian Institute of Chartered Bankers to enhance the professionalism, effectiveness and importance of internal audit function in the financial services industry.

Shamsul is a strong proponent of staying relevant and he is constantly upgrading his knowledge and skills. In the recent year, Shamsul undertook, and completed, three (3) certification programmes i.e. the Cybersecurity Fundamentals Certificate, the Certified Professional in Financial Crime Compliance and the Chartered Professional in Islamic Finance programmes.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF GROUP SENIOR MANAGEMENT

DAVID TAN SEE DIP
Chief Executive Officer
AmGeneral Insurance Berhad

Malaysian | Male | 64 years old

Date of Appointment
1 January 2021

Qualification(s)
- Bachelor of Commerce and Administration, Victoria University of Wellington, New Zealand

Responsibilities

David is responsible for delivering the strategic growth, direction, distribution and performance of the general insurance business of AmBank Group.

Experience

Prior to being the Chief Executive Officer (CEO) of AmGeneral Insurance Berhad, David was the CEO of a multinational insurance company from 2009 until his retirement in 2017. David has more than 40 years' experience in the insurance industry and has held numerous senior leadership roles within the industry.

David was also a qualified chartered accountant, chartered company secretary and certified insurance practitioner. David is currently an Academic Council member of the Malaysia Insurance Institute.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

LEE JIAU JIUNN
Chief Executive Officer
AmMetLife Insurance Berhad

Malaysian | Male | 58 years old

Date of Appointment
1 April 2020

Qualification(s)
- Bachelor of Engineering (Civil Engineering), University of Canterbury, New Zealand
- Master of Engineering (Civil Engineering), University of Canterbury, New Zealand
- Lee is a Fellow of the Institute of Actuaries, United Kingdom as well as a Fellow of the Actuarial Society of Malaysia

Responsibilities

Lee Jiau Jiunn is responsible for AmMetLife's transformation into a company that is continually innovating to meet customer expectations while delivering sustainable profitability and shareholder return.

Experience

Lee Jiau Jiunn has been pivotal to the growth of AmMetLife's business since joining the company in 2015, firstly as the Appointed Actuary and subsequently as Chief Financial Officer (CFO) since 2018. As CFO, he has built a high performing team that has enhanced the role of Finance within the broader organisation.

Lee joined AmMetLife after 14 years with AIA in Malaysia and Taiwan. Prior to this, he held actuarial roles in both the Malaysia and New Zealand insurance sectors and has built a great track record for performance.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

NOOR AZAM BIN MOHD YUSOF
Chief Executive Officer
AmMetLife Takaful Berhad

Malaysian Male 50 years old

Date of Appointment
1 July 2017

Qualification(s)

- Masters in Business Administration, University of Technology MARA, Malaysia
- Bachelor of Science (Marketing), Northern Illinois University, United States of America
- Chartered Professional in Islamic Finance (CPIF), Chartered Institute of Islamic Finance Professionals, Malaysia

Responsibilities

Noor Azam bin Mohd Yusof is tasked with formulating and implementing strategic growth plans to enhance the penetration and distribution of AmMetLife Takaful products in key Shariah-driven markets in Malaysia.

Experience

Azam has accumulated more than two decades of experience in the Malaysian insurance and Takaful industry, encompassing senior leadership roles as an established Takaful operator. Prior to joining AmMetLife Takaful, he was the Head of Sales and Distribution for HSBC Amanah Takaful (M) Berhad where he spearheaded business development and the effective delivery of the company's sales and distribution strategy.

Directorship(s) in Listed Issuers

None

Declaration

He does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Company.

He has not been convicted of any offence within the past five years nor has he been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 March 2021.

PROFILE OF SHARIAH COMMITTEE & SHARIAH OVERSIGHT COMMITTEE

ASST. PROF. DR. TAJUL ARIS AHMAD BUSTAMI
[Effective 1 April 2016]

Malaysian

Chairman

Asst. Prof. Dr. Tajul Aris Ahmad Bustami is currently a lecturer and Assistant Professor at Department of Islamic Law, and also Deputy Dean of Student Affairs & Alumni, Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia (IIUM). He received his first Degree in Law (LL. B (Hons) & LL. B (Shariah)(Hons)) (IIUM) and a Master degree in Law (LL.M) from University of London. He then successfully obtained a Diploma in Shariah Law and Practice (DSLP) (Professional Post-Graduate Programme) (IIUM). Later, he received his Ph.D in Law at IIUM. His areas of specialisation are Islamic Banking Law and Takaful, Muslim Law of Succession & Waqf and Administration of Estates. Assistant Prof. Dr. Tajul Aris is currently serving as Shariah Committee for Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) (2018-present). He is a member of The Association of Shariah Advisors in Islamic Finance Malaysia (ASAS) and has produced a number of books, chapters in books and publications in journal articles and presented several papers at various events/conferences.

PROF. DR. AMIR HUSIN MOHD NOR

Malaysian

Member

Prof. Dr. Amir Husin Mohd Nor is currently a lecturer and Professor at Faculty of Syariah and Law, Islamic Science University of Malaysia (USIM). He obtained his first degree (Honours) in Shariah from Academy of Islamic Studies, University of Malaya. He then successfully completed his Master in Law (LL.M) from University of London. Later, he achieved his Ph.D in Islamic Studies from University of Edinburgh. His areas of specialisation are Islamic Jurisprudence (Usul al-Fiqh) and Law. Previously, he has acted as Deputy Dean (Research and Innovation) at Faculty of Shariah and Law, USIM and Shariah Advisor for AmFamily Takaful Berhad (2011-2014). Now serving as Shariah Advisor for AmMetLife Takaful Berhad (2014-present), currently as Chairman. Also, he is a Committee Member of Tabung Amanah Zakat Universiti Tenaga Nasional (UNITEN). He is a member of ASAS and has conducted several researches, produced a number of books, chapters in books and publications in journal articles and presented several papers at various events/conferences.

ASSOC. PROF. DATIN DR. NOOR NAEMAH ABDUL RAHMAN

Malaysian

Member

Assoc. Prof. Datin Dr. Noor Naemah Abd. Rahman is currently a lecturer and Associate Professor as well as coordinator for Applied Science at the Islamic Studies Program in Academy Islamic Studies, University of Malaya (UM). She obtained her first degree (Honours) in Shariah from University of Malaya, a Master degree in Shariah from University of Jordan and a Ph.D from UM. Her areas of specialisation are Islamic Jurisprudence (Usul al-Fiqh), Islamic Legal Maxim and fatwa. Datin Dr. Noor Naemah currently holds a post as Ahli Jawatankuasa Perundingan Hukum Syarak Wilayah Persekutuan (Sessions 2011-2013; 2014-2016 and 2016-present) and Panel Pakar Syariah JAKIM (2017-present). Previously, she acted as Shariah Advisor for AmFamily Takaful Berhad (2011-2014) and Shariah Advisor for AmMetLife Takaful Berhad (2014-May 2020). She is a member of ASAS and has conducted several researches, produced a number of books, chapters in books and publications in journal articles and presented several papers at various events/conferences.

ASSOC. PROF. DR. ADNAN YUSOFF

Malaysian

Member

Assoc. Prof. Dr. Adnan Yusoff is currently a lecturer, Associate Professor and Director of Human Resource Department at UNITEN. He received his first degree in Shariah (Honours) from University Al-Azhar, Cairo, Egypt. Then he obtained a Master of Comparative Law (MCL) from IIUM, and received his Ph.D in Islamic Muamalat from UM. His areas of specialisation are Islamic Commercial Law (Fiqh Muamalat), Islamic Jurisprudence (Usul al-Fiqh), Islamic Family Law (Fiqh Munakahat) and Islamic Criminal Law (Fiqh Jinayat). Previously, he acted as Director of Pusat Pengajian Islam dan Peradaban UNITEN (2010-2014), Director of Tabung Amanah Zakat UNITEN (2014-2017) and Shariah Advisor for AmFamily Takaful Berhad (2011-2014). Currently also serving as Shariah Advisor for AmMetLife Takaful Berhad (2014-present). He is also a registered Shariah Adviser with the Securities Commission (SC). He is a member of ASAS and has written and/or presented numerous articles/journals/papers.

ASSOC. PROF. DR. ASMAK AB RAHMAN

Malaysian

Member

Assoc. Prof. Dr. Asmak Ab Rahman is currently a Senior Lecturer, Associate Professor and Head of Department at Department of Shariah and Economics, Academy of Islamic Studies, UM. She received her first Degree (Honours) and Master in Shariah and subsequently a Ph.D in Islamic Economics from UM. Her areas of specialisation are Comparative Economic Development, Takaful, Islamic Banking, Islamic Economics and Economics of Waqf. Previously she acted as a Shariah Advisor for Bank Islam Malaysia Berhad (BIMB) (2005-2009), AIA AFG Takaful Berhad (Takaful)(2011-2013) and Committee Member for Association of Shariah Advisors in Islamic Finance (ASAS) (Session 2012-2014). Currently also serving as Shariah Advisor for different industries i.e. BIMB Investment Management Berhad (2010-present; Funds Management), SME Bank (2010-present); Development Bank), Tabung Haji (2016-present) and Hong Leong MSIG Takaful (2014-present) and Perbadanan Usahawan Nasional Berhad (PUNB) (2016-present). She is also a registered Shariah Adviser with the Securities Commission (SC). She is a member of ASAS and has conducted several researches, produced a number of books, chapters in books and publications in journal articles and presented several papers at various events/conferences.

ASSOC. PROF. DR. AHMAD ZAKI SALLEH

Malaysian

Member

Assoc. Prof. Dr. Ahmad Zaki Salleh is currently a lecturer, Associate Professor and Deputy Dean (Research and Innovation) at Faculty of Syariah and Law, Islamic Science University Malaysia (USIM). He received his first degree in Shariah from al-Albayt University, Jordan and a Master Degree and Ph.D in Fiqh and Usul Fiqh from International Islamic University Malaysia (IIUM). His areas of specialisation are Islamic Banking and Takaful and Islamic Capital Market. Previously, he acted as Deputy Dean (Academic and International) (2016-2018 & 2020), Deputy Dean (Academic and Research) (2014-2016) and Head of Programme, Bachelor of Fiqh and Fatwa (2013-2014) at Faculty of Shariah and Law, Universiti Sains Islam Malaysia (USIM), Chairman of Shariah Committee for Bank Simpanan Nasional (2011-2019) and Muamalat Expert Panel Member at Jabatan Kemajuan Islam Malaysia (JAKIM) (2016-2018). Currently also serving as Shariah Committee member for BSN (2020-present), Shariah Advisor for PruBSN Takaful (2015-present), Shariah Consultant at International Islamic Finance & Insurance (IIFIN) (2011-present) and Member at International Halal Foundation Academic Council (2016-present). He has produced a number of books, articles, and chapters in books and presented several papers at various events/conferences.

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

Dear Valued Shareholders,

Good governance is a critical component of sound financial institutions and plays a key role in maintaining public confidence in the financial system. It is even more compelling in today's increasingly challenging business world.

As a company driven by its responsibilities to shareholders and the broader group of stakeholders, AmBank Group is committed to high standards of governance, ethics, integrity and transparency in the conduct of its business and in all aspects of its operations.

TAN SRI AZMAN HASHIM
Chairman

Good governance is imperative to ensure sustainable performance, creating long-term economic value and growth.

Ethical, strong and effective leadership underpins the Board's commitment to place our cornerstone values of Principled, Proactive, Appreciative, Collaborative and Experimental (P^{2}ACE) at the forefront of everything that we do.

Our Board embraces and promotes strong governance through a deliberate and structured approach that embeds sound financial practices, robust institutional governance and risk frameworks.

The year in review has been challenging. By any measure, 2020 was an extraordinary year. The world grappled with the biggest health crisis in recent history, forcing companies across sectors into extraordinary measures to protect their people and still maintain operations.

The gravity of the COVID-19 pandemic has fundamentally changed the way businesses operate globally, its impact unprecedented, severely testing the resilience of countries and revealing the continued vulnerabilities of governments as well as corporations.

From the perspective of corporate governance, it brings to the fore the importance of a strong Board leadership, where focus is on facilitating recovery and adapting to the ongoing impact of the pandemic.

Our Board believes that the way we navigate, manage and adapt will largely influence our success, long-term resilience and agility in a changed world. The Board will continue building a resilient organisation while also laying the foundations for the Group's future success.

I am very well supported in this regard by members of the Board who are drawn from different business sectors and fields. They bring with them a wealth of experience in managing sustainable business growth, driven by principles of governance, integrity and transparency.

Collectively, they represent a formidable leadership team and provide independent viewpoints and valuable insights in our decision making process. Their invaluable contribution and that of the executive team have helped us uphold high standards of governance expected of the Group. This is important, given the need to maintain consistent vigour, oversight role on the Group-wide's strategic, operational and compliance risks.

We continued with our commitment towards doing business responsibly.

We identified key corporate governance areas and focused on their enhancements. These focus areas are set out in this Corporate Governance Overview Statement (CG Overview Statement).

During the financial year under review, the Securities Commission updated the Malaysian Code on Corporate Governance (MCCG) 2017 (MCCG 2021). The MCCG 2021 which took effect on 28 April 2021, saw the introduction of new best practices to strengthen the corporate governance culture of listed issuers. The adoption of these practices will be reported by the first batch of companies with financial years ending 31 December 2021.

The Group has adopted most of the MCCG 2017's recommendations and complied with the amendments to the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities). The new best practices under the MCCG 2021 which the Group has been progressively adopting since its introduction will be reported in the CG Overview Statement for the next financial year.

This CG Overview Statement is prepared in accordance with the relevant requirements, guidelines and practices of the MMLR, MCCG 2017 as well as the Companies Act 2016. It provides investors and other stakeholders with an insight into governance activities and ethical practices that prevailed throughout the organisation during the year under review.

The application of each of the practices under the MCCG 2017 is explained in detail in the Corporate Governance Report which is available on the Group's corporate website at ambankgroup.com.

We continue to strengthen our governance processes each year and continue to adopt best practices to the best of our ability.

TAN SRI AZMAN HASHIM
Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Good governance is a critical component of sound financial institutions and plays a key role in maintaining public confidence in the financial system. As a company driven by its responsibility to shareholders and a broader group of stakeholders, the Group is committed to high standards of integrity, accountability and ethics in the conduct of its business and in all aspects of its operations. For the Group, good governance is imperative to ensure sustainable long-term performance, creating long-term economic value and growth of the Group.

Ethical, confident and effective leadership underpins the Board's commitment to move closer to the Group's vision. The Board embraces and promotes value-creating governance through a deliberate and structured approach that embeds world-class business practices and robust institutional governance, risk and compliance frameworks.

Our Board provides sound leadership and strategic guidance to safeguard stakeholder value creation within a framework of rigorous and effective controls. Together with Management, the Board drives robust strategies, executes strong governance and financial practices.

Frameworks applied:

1. Bursa Securities Main Market Listing Requirements (MMLR)
2. Securities Commission (SC) Malaysian Code on Corporate Governance (MCCG) 2017
3. Bank Negara Malaysia (BNM) Policy Document on Corporate Governance

The Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report 2021 (CG Report), which is available on the Group's corporate website at **ambankgroup.com**

Principle A

BOARD LEADERSHIP & EFFECTIVENESS

The Board assumes the responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. This section gives an overview of how the Board and its Committees work and the interlink between them. The Board's role, key activities and core responsibilities are also explained.

ITS IMPORTANCE

An effective Board does not place itself in a comfortable setting and it does not remain static. A dynamic Board should constantly evolve in response to the environment in which it operates. Challenges as well as teamwork are essential features of the Board. Diversity in Board composition is an important driver of a Board's effectiveness, creating a breadth of perspective among Directors.

Principle B

EFFECTIVE AUDIT & RISK MANAGEMENT

This section describes the work of the Audit and Examination Committee and Risk Management Committee and offers explanation on the number of new auditing and governance requirements.

It provides a narrative on how the Risk Management Committee helps the Group drive the implementation of risk frameworks, processes and the Group's risk appetite and internal control.

ITS IMPORTANCE

From a risk perspective, diligent measured risk management structures and framework help to address risks and strategy. This includes overall management of all risks covering market risk management, credit operational risk management and cyber risk.

Principle C

INTEGRITY IN CORPORATE REPORTING & MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

This section provides an overview of how we communicate with stakeholders, their concerns and expectations.

ITS IMPORTANCE

An understanding of the importance of maintaining and fostering good meaningful relationship with our stakeholders plays a key role within our ecosystem. We recognise that stakeholders are affected in one way or another by our actions. In this regard, as stewards of the Company, we take responsibility to improve our communication and relationship with our stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADOPTION OF THE MCCG 2017

For the financial year under review, the Board considers that the Company has adopted the Practices and applied the key Principles of the MCCG 2017, except Practice 4.5 (The Board must have at least 30% women Directors) and Practice 7.2 (The Board is to disclose on a named basis the top five Senior Management's remuneration component including salary, bonus, benefits in kind and other emoluments in bands of RM50,000).

Details of how the Company has applied the MCCG 2017 Principles and complied with its Practices are set out in the CG Report. The explanation for departures is explained in the CG Report.

The Group will be reporting its adoption of the new best practices under the MCCG 2021, which came into effect on 28 April 2021, in the CG Overview Statement for the next financial year end.

BOARD CHARTER

Our Board Charter clearly defines the roles and responsibilities of the Board, Board Committees, individual Directors and Management and issues as well as decisions reserved for the Board. The Charter is reviewed periodically to ensure its adherence to the latest statutory and regulatory requirements, as well as the Group's operational and business direction. The Charter is available on the Group's corporate website at **ambankgroup.com**.

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

The Board is collectively responsible for the overall leadership of the Group and for promoting its long-term sustainability and success within a framework of prudent and effective controls.

The Board safeguards stakeholder value-creation and plays a critical role in creating and maintaining the right tone at the top. It is the bedrock of a robust ethics and compliance culture that binds the organisation together.

Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth.

The balance on the Board with the presence of Non-Executive Directors (NEDs) ensures that no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders are protected. The Board considers each NED to be independent in character and judgement in the discharge of his/her fiduciary duties. Accordingly, all Directors are required to exercise unfettered and independent judgement at all times, irrespective of status and to act in the best interest of the Company.

The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities. The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the Group Chief Executive Officer (CEO) to implement strategies approved by the Board.

The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed and operated. The Board is satisfied that it has fulfilled these duties and obligations during the financial year under review.

The Board's primary role is to not only create, promote and deliver the Group's long-term sustainability that is durable but to also ensure the protection and enhancement of long-term shareholder value taking into consideration the interests of all other stakeholders including employees, customers, regulators, local communities and the general public.

At the forefront of the Board's oversight role and responsibility therefore is its commitment to the Group's long-term strategy and agenda for the integration of sustainability into the Group's corporate strategy, governance and decision-making. Together with Management, the Board takes responsibility for the governance of sustainability in the Group. The Board acknowledges that the Group's long-term success and continued relevance hinges on the prosperity and trust of the communities it serves and the well-being of the environment it operates in. This is important to the Board due to increasing impact of sustainability on the ability of the Group to create sustainable value and to maintain the confidence of its stakeholders. To continue to have their trust and to have the Group play its role as a responsible corporate citizen, the Board remains committed to improving the Group's sustainability practices beyond the minimum regulatory requirements.

In setting the strategic direction of the Group, determining its objectives and policies for the delivery of sustainable long-term value, the Board ensures effective leadership through oversight on Management and robust monitoring of performance, control, activities and conformance capabilities in the organisation.

BOARD CONDUCT

All Board members exercise their powers for a proper purpose and in good faith at all times in the best interest of the Company. In the discharge of their duties, they act with integrity, lead by example and keep abreast of their responsibilities as Directors as well as exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board. The Board also ensures that minutes of meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter.

The Board commits itself and its Directors to ethical, business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly, all Directors shall apply ethical principles and standards of behaviour as set out in the Code of Conduct and Code of Ethics of the Group and other applicable governance documentation setting out standards of ethical conduct and behaviour as approved by the Board.

Directors shall declare any conflict of interest they have in material transactions or material arrangements with the Company or in any business or other relationships that could reasonably be perceived to materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company. They shall not be present when the matter is being deliberated at the Board and/or Board Committee meeting.

The Directors shall devote sufficient time to prepare for and attend Board and Board Committee meetings, and maintain a sound understanding of the business of the Company as well as relevant market and regulatory developments. This includes a commitment to continuously participate in trainings and development programmes, workshops and conferences to enhance their skills and knowledge.

Prior to accepting appointment(s) of directorship(s) in other companies, the Directors shall ensure that their appointment(s) in other companies are not in conflict with the Company's business and do not affect the discharge of their duties as Directors of the Company. The Directors shall notify the Chairman of the Board and the Company Secretary of their new appointment(s) in other companies within 14 days of the appointment(s).

In addition to the above, all Directors of the Company have complied with the MMLR of Bursa Securities of not holding more than five directorships in listed issuers at any given time. This is to ensure the Directors do not have competing time commitments that may impair their ability to discharge their responsibilities effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ROLES AND COMPOSITION

Chairman

Tan Sri Azman Hashim

The Chairman is primarily responsible for the leadership of the Board and ensuring its effectiveness. He ensures the Board upholds and promotes the highest standards of corporate governance, setting the Board's agenda and encouraging open, constructive debate of all agenda items for effective decision-making. He also ensures that shareholders' views are communicated to the Board.

Senior Independent Director

Voon Seng Chuan

The Senior Independent Director has the same legal responsibilities as any other members of the Board. His role includes meeting regularly with the Chairman and the Group CEO to discuss specific issues, as well as an alternative communication channel for shareholders and other stakeholders. He also acts as a sounding board for the Chairman as well as an intermediary for other Directors.

Farina binti Farikhullah Khan
Group Nomination and Remuneration Committee

Seow Yoo Lin
Audit and Examination Committee

Hong Kean Yong
Group Information Technology Committee

Dato' Kong Sooi Lin
Risk Management Committee

Board Committee Chairman

The Chairman of the Board does not sit on any of the Board Committees. The Board Committees are chaired by different members of the Board who are Independent Non-Executive Director. The Board Committee Chairmen are responsible for leading the members of the Board Committees and ensuring their effectiveness. They set the Board Committees' agendas, in consultation with the Group Company Secretary and Management and report to the Board on their respective Committee's proceedings.

ROLES AND COMPOSITION

Group Chief Executive Officer

Dato' Sulaiman Mohd Tahir

The roles of the Chairman and the Group CEO are separated by a clear demarcation of duties and responsibilities which are defined, documented and approved by the Board, given their distinct expectations and the primary audiences they each serve. The division of duties and responsibilities ensures an appropriate balance of roles, responsibilities and accountability.

The Group CEO is responsible for the operational management of the Group's business as well as the development and execution of the Group's strategy. He is also the conduit between the Board and Management in ensuring the success of governance and management functions.

The Group CEO fosters a corporate culture that promotes ethical practices, encourages individual integrity and the fulfilment of the Group's corporate social responsibilities.

The Group CEO maintains a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse workforce.

Group Company Secretary

Koid Phaik Gunn

The Group Company Secretary acts as secretary to the Board and Board Committees, ensuring compliance with Board procedures and advising on regulatory and governance matters. She is responsible, under the direction of the Chairmen of the Board and Board Committees, for ensuring that the Board and Board Committees receive accurate, timely and clear information. She supports the Chairman of the Board in delivery of the corporate governance agenda and together with the Group Learning and Development Unit facilitate Director induction programme and on-going professional development trainings.

The Group Company Secretary is qualified and competent to act as company secretary under Section 235 of the Companies Act 2016. The Board members have full access to the Group Company Secretary.

The Group Company Secretary ensures that the discussions and deliberations at Board and Board Committee meetings are well documented and subsequently communicated to the relevant Management for appropriate action. The Group Company Secretary updates the Board on the follow-up of its decisions and recommendations by the Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD AND BOARD COMMITTEES' STRUCTURE

The Board Charter authorises the Board to delegate the exercise of their powers to Board Committees. The delegation of power does not absolve the Directors from the duty to supervise the discharge of the delegated acts. The Directors are aware that they cannot leave the management of the Company's affairs to these Committees without committing a breach of duty and that they remain responsible for the exercise of such powers.

The **Board** is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders.

The Board Committees

- Group Nomination and Remuneration Committee (GNRC) GFR page 43
- Audit and Examination Committee (AEC) GFR page 60
- Risk Management Committee (RMC) GFR page 55
- Group Information Technology Committee (GITC) GFR page 65

GROUP CHIEF EXECUTIVE OFFICER (Group CEO)

Key Management Committees

- Group Management Committee
- Group Management Governance and Compliance Committee
- Group Management Risk Committee
- Group Asset and Liability Committee
- Group Talent Council
- Group Sustainability Council
- Credit and Commitments Committee
- Other Management Committees

MATTERS RESERVED FOR THE DECISION OF THE BOARD

The Board discharges some of its responsibilities directly and delegates certain responsibilities to its committees to assist in carrying out its function of ensuring independent oversight and stewardship. The Board also delegates authority for the operational management of the Group's business to the Group CEO for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Group CEO accountable in discharging his delegated responsibilities.

A clear Schedule of Matters Reserved for the Board and terms of references for each of the Board Committees are reviewed periodically against industry best practices and corporate governance provisions and guidance. The matters reserved for the Board are set out below:

- Corporate Matters
- Governance and Policy
- Credit and Products
- Information Technology and Projects
- Remuneration
- All Other Matters as Deemed Necessary by the Board
- Strategy and Budget
- Compliance and Assurance
- Accounting and Finance
- Board Membership and Other Appointments
- Litigation and Arbitration

BOARD COMPOSITION, INDEPENDENCE, DIVERSITY AND ATTENDANCE

Board Composition

The Board members are persons of integrity and calibre who have sound knowledge and understanding of the Group's business and provide a diversity of breadth in skills, knowledge and experience. They contribute to the formulation of policy and decision-making through their expertise and experience.

The Board composition has a blend of skills, experience and knowledge enabling the Directors to provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the Group CEO to implement strategies by the Board, taking into account the interests of the shareholders and stakeholders.

The Board is chaired by a Non-Independent Non-Executive Director and currently comprises nine Directors, five of whom are Independent Non-Executive Directors representing 56% of the Board composition. A Board comprising a majority of Independent Non-Executive Directors allows for more effective collective oversight of Management. The composition of the Board therefore exceeds the minimum one-third requirement of Independent Directors as stipulated in the MMLR of Bursa Securities and meets the requirement of having a majority of Independent Directors as set out in the BNM Policy Document on Corporate Governance.

The Board continues to achieve a balance of skills, knowledge, experience and view among its Directors. The Board believes that a truly diverse Board that leverages on these differences will ensure effective stewardship of Management and will steer the Group to retain its competitive advantage.

GFR *The profiles of the Directors are set out on pages 8 to 16 of this GFR 2021.*

Board Independence

The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. Their role is also particularly critical for related party transactions as these require independence of judgement and objective impartiality to protect the interests of minority shareholders.

Decision-making on key issues regarding the Company and its subsidiaries are deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight. They fulfil their roles in ensuring that strategies proposed by Management are discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

Following the amendment to the MMLR of Bursa Securities on the enhancement of the definition of Independent Directors, the Group has revised the cooling-off period from two to three years for the appointment of Independent Non-Executive Directors and specific person including an existing or former officer, adviser or transacting party of the listed issuer or its related corporation.

As at the date of this Statement, all Independent Non-Executive Directors satisfy the following criteria:

- independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interest of the Company.
- not involved in the day-to-day operations of the Company.
- declare their interest or any possible conflict of interest in any matter tabled prior to commencement of Board meetings. In a situation where there is a conflict of interest, Directors are required to recuse themselves and abstain from deliberation and decision-making. This also applies to Non-Independent Non-Executive Directors.

Every Independent Non-Executive Director is required to provide a declaration of his or her independence annually. This declaration is assessed by the GNRC. Based on the outcome of the Board Effectiveness Evaluation (BEE) for the FY2021, which was conducted internally, all the Independent Non-Executive Directors had scored highly and there were no conflicts or potential conflicts of interest that may affect their independent judgement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board also believes that each Independent Non-Executive Director has retained his/her independence throughout the tenure and had not in any circumstances formed any association with Management that might compromise his/her ability to exercise independent judgement that could ultimately affect the interest of stakeholders.

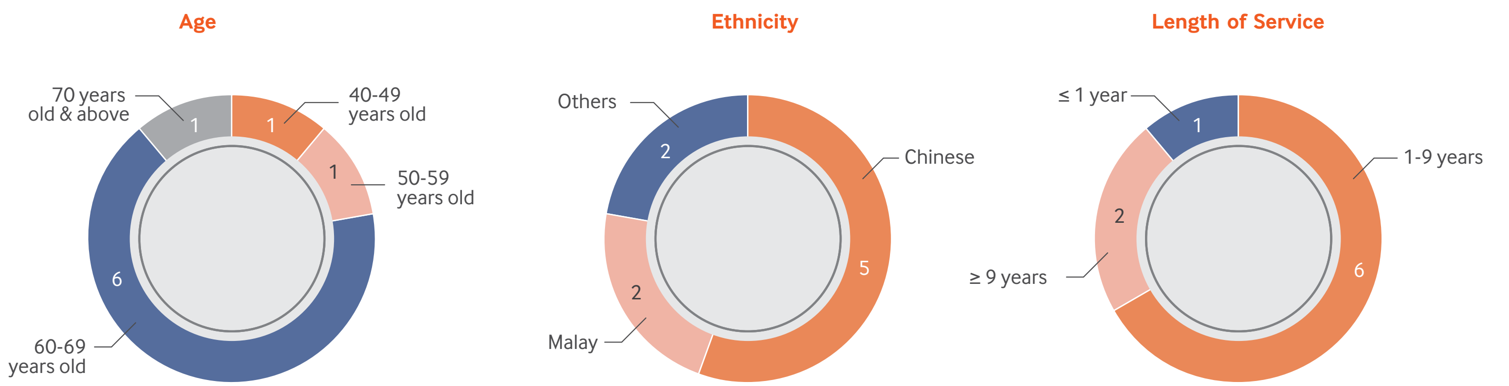
As at the date of this Statement, none of the Independent Non-Executive Directors has served more than nine years on the Board. This is in line with Practice 4.2 of the MCCG 2017, BNM Policy Document on Corporate Governance and the Company's Board Charter which states that an Independent Non-Executive Director shall not serve more than a cumulative term of nine years.

Diversity in Composition

Diversity is also important to ensure the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment. In this regard, the GNRC is empowered to review and evaluate the composition and performance of the Board annually as well as assessing qualified candidates to occupy Board positions.

The Board acknowledges the importance of Board diversity including gender, ethnicity, age and business experience, to the effective functioning of the Board.

While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on the effectiveness in carrying out the Board's functions and duties. Hence, the Board is committed to ensure that its composition not only reflects the diversity as recommended by the MCCG 2017, as best as it can, but it will also have the right mix of skills and balance to contribute to the achievement of the Group's goals.



Merit remains the main basis for Senior Management appointment where individuals with the appropriate pre-requisite qualification, experience, technical and leadership competencies undergoes a formal, rigorous and transparent process. Nonetheless, recognising that having a team of Senior Management with the right balance of skills, experience, age, cultural background and gender has given the Group with a competitive edge. Hence, diversity will remain as an integral part of the Group's competitive strategy where we continue to build and promote a balance talent pool.

Gender Diversity

The Company's Board Charter states that the Board shall endeavour to have at least 30% women Directors.

The Board currently comprises two women Directors, reflecting a 22% female representation among the Directors on the Board. As reported in the 2020 Annual Report, the Board had identified a female candidate and submitted the application to BNM for approval. However, due to unforeseen circumstances, the appointment did not take place. The GNRC and Board will continue to search for a suitable female candidate.

The Board believes that a truly diverse Board that leverages on differences in thought, perspective, knowledge, regional and industry experience, age, ethnicity and gender will ensure effective stewardship of management and will steer AMMB to retain its competitive advantage.

In connection with its effort to create and maintain a diverse Board. The GNRC will:

- adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director search.
- assess the appropriate mix of diversity including gender, age, skills, experience and expertise required on the board and address gaps, if any.
- make recommendations to the Board in relation to the appointments and maintain an appropriate mix of diversity, skills, expertise and experience on the Board.
- periodically review and report to the Board on requirements in relation to diversity on the Board, if any.

Change to the composition of the Board during the financial year under review was as follows:

Appointment (A) and/or Resignation (R)

A	Robert William Goudswaard appointed on 25 March 2021

Selection of Directors

The Group's Nomination Policy for Non-Executive Directors states that the GNRC may identify Director candidate(s) through executive search firms and/or other Directors. In appointing a Director, consideration is given to the current composition of the Board and the tenure of each Director on the Board. This is to determine whether there is a need to bring new skills and perspective to the boardroom. Additionally, focus will not only be on whether a Director's background and current activities qualify him or her as independent, but also whether the Director can act independently of Management.

GFR *Further details on the selection and appointment of Director are disclosed in the GNRC Report on page 46 of this GFR 2021.*

Board Meetings, Attendance and Access of Information

The Board practices active and open discussions at Board meetings so as to ensure that opportunities are given to all Directors to participate and contribute to the decision-making process. Robust discussions and vigorous deliberations at Board and Board Committee meetings ensure that the process of constructive and healthy dialogue is achieved.

Board members have accessed to Board papers through a collaborative software which allows the Directors to access, read and review Board papers and confer with each other and the Company Secretary electronically. The software eases the process of distribution of Board papers, circular resolutions and minimises leakage of information.

The Directors may seek independent professional advice at the Group's expense, in furtherance of their duties.

Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The agenda and Board papers, including minutes are circulated to the Board at least seven calendar days prior to each Board meeting to allow sufficient time for the Directors to review, consider and deliberate knowledgeably on the issues to facilitate informed decision-making.

The calendar of meetings of the Board and Board Committees are drawn up and tabled to the Board in the last quarter of the calendar year. This is to enable the members of the Board to meet the time commitment for the meetings. The Board meets at least ten times per year with additional meetings being convened whenever necessary, to facilitate the discharge of their responsibilities. The Group CEO and the Chief Executive Officers of the subsidiaries are invited to attend on matters relating to their spheres of responsibility. Additionally, Senior Management may also be invited to attend Board meetings to provide presentations and detailed explanations on matters to be tabled.

Directors are expected to attend at least 75% of total Board meetings in any applicable financial year and must not appoint another person to attend/participate in a Board meeting on his or her behalf.

The quorum for Board meetings shall be a minimum of 50% of total Board members.

A meeting shall be conducted in person or via alternative means of attendance (i.e. tele-conference or video conference) as determined by the Board. Where permitted, alternative means of attendance must remain the exception rather than the norm. Due to the COVID-19 pandemic, most of the Board and Board Committee meetings from March 2020 onwards were held virtually via Microsoft Teams platform.

The Board may from time to time and if deemed appropriate, consider and approve and/or recommend routine and administrative matters via circular resolutions in writing. All Directors' written circular resolutions passed by the Board are tabled at the next Board meeting for notation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 March 2021 (FY2021). The Board is satisfied with the level of commitment given by the Directors during the financial year under review towards fulfilling their roles and responsibilities. A total of 13 Board meetings were held during the FY2021 as follows:

	Number of Meetings		
Name of Members	**Held During Tenure in Office**	**Attended**	**%**
Tan Sri Azman Hashim *(Non-Independent Non-Executive Chairman)*	13	13	100
Graham Kennedy Hodges *(Non-Independent Non-Executive Director)*	13	13	100
Soo Kim Wai *(Non-Independent Non-Executive Director)*	13	13	100
Voon Seng Chuan *(Senior Independent Non-Executive Director)*	13	13	100
Seow Yoo Lin *(Independent Non-Executive Director)*	13	13	100
Farina binti Farikhullah Khan *(Independent Non-Executive Director)*	13	13	100
Hong Kean Yong *(Independent Non-Executive Director)*	13	13	100
Dato' Kong Sooi Lin *(Independent Non-Executive Director)*	13	13	100
Robert William Goudswaard *(Non-Independent Non-Executive Director) (Appointed on 25 March 2021)*	–	–	–

ON-GOING PROFESSIONAL DEVELOPMENT

The Board recognises the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

As part of the Board induction programme, new Directors are briefed on, among others, their disclosure obligations as Directors, the Company's Board Charter, Code of Conduct, Code of Ethics, the Constitution of the Company, the Group's corporate structure, Schedule of Matters Reserved for the Board.

Aside from the Mandatory Accreditation Programme (MAP) and the Financial Institutions Directors' Education (FIDE) Programme, both of which are accredited by the ICLIF Leadership and Governance Centre (ICLIF), all Directors appointed to the Board, have also attended other relevant training programmes, talks, seminars, dialogue sessions and focus group sessions organised by the regulatory authorities, the FIDE Forum (an alumni association for Financial Institutions Directors) and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Group.

The Board, together with the Board members of the subsidiaries of AMMB also attend Strategy meetings to have an in-depth understanding and continuous engagement with Management pertaining to the Group's strategic direction. In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

The Board ensures that a structured Director Learning and Education programme is in place for its members. Through this programme, members will be provided with appropriate continuing education and are kept up to date with current business, industry, regulatory and legislative developments and trends that will affect the Group's business operations.

The GNRC will review the training and development needs of the Director on an annual basis, taking into consideration the Group's strategy for the next several years and the current combined skills on the Board. The Directors would also suggest trainings which they think the Board requires.

The Group Learning and Development Unit undertakes the role of coordinating, organising and managing Directors' learning and development requirements together with the Group Company Secretarial Department.

The Directors of the Company attended the following training programmes, talks, seminars, dialogues and focus group sessions during the FY2021:

Name of Directors	Month/Year	Course Title
Tan Sri Azman Hashim	June 2020	East Asia Business Council Malaysia Preparatory Meeting
		47th East Asia Business Council Meeting
	August 2020	East Asia Business Council Malaysia Preparatory Meeting
		48th East Asia Business Council Meeting
	September 2020	BNM-FIDE Forum Annual Dialogue with Governor of BNM
	October 2020	Anti-Money Laundering FY2019/2020
	November 2020	49th East Asia Business Council Meeting
		11th Asian Business Summit/Digital Conference – Delivered speech at Plenary Session 1: Impact of COVID-19 & Challenges for post COVID-19 Economic Recovery in member economies and Asia as President of Malaysia-Japan Economic Association
		Cyber Security Awareness
	December 2020	Financial Literacy Forum – Delivered Welcome Speech as Chairman, Financial Industry Collective Outreach (FINCO)
	January 2021	East Asia Business Council Malaysia Preparatory Meeting
	February 2021	FINCO Outstanding Teacher & Student Award Ceremony – Conducted Livestream via FINCO MY YouTube – Delivered Welcome Speech as Chairman, Financial Industry Collective Outreach
	March 2021	46th ASEAN-Japan Business Meeting (AJBM) Conference – Delivered Welcome and Closing Speech as Chairman of AJBM Malaysia
Graham Kennedy Hodges	October 2020	Anti-Money Laundering FY2019/2020
	November 2020	Cyber Security Awareness
Robert William Goudswaard	March 2021	International Directors Programme Session 2
Soo Kim Wai	April 2020	COVID-19 and Current Economic Reality: Implications for Financial Stability
	May 2020	Module 1: Listed Entity Director Essentials
	July 2020	Module 2: Board Dynamics
		Module 3: Board Performance
		Module 4: Stakeholder Engagement
		Module 5: Audit Committee Essentials
		Personal Data Protection Act 2020
	September 2020	BNM-FIDE Forum Annual Dialogue with Governor of BNM
		Anti-Money Laundering FY2019/2020
	October 2020	Islamic Finance for Board Programme
		The Next Inflection Point
	November 2020	Cyber Security Awareness
		Malaysia Budget 2021
		Budget Highlights 2021 and Proposed Tax Changes

Name of Directors	Month/Year	Course Title
Voon Seng Chuan	April 2020	COVID-19 Pandemic and Current Economic Reality: Implications for Financial Stability
	May 2020	Challenging Times: What Role Must the Board Play?
	June 2020	Board and Executive Pay During and Post COVID-19 Pandemic
	July 2020	FIDE Forum "Risks: A Fresh Look from the Board's Perspective"
		FIDE Forum: Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
	August 2020	Digital Financial Institutions Series: Fidor's Experience
		Managing Political Risks
		Banking on Governance, Insuring on Sustainability by Certified Practising Accountant Australia
	September 2020	BNM-FIDE Forum Annual Dialogue with Governor of BNM
	October 2020	Anti-Money Laundering FY2019/2020
	November 2020	FIDE Climate Action: The Board's Leadership in Greening the Financial Sector
		Cyber Security Awareness
	March 2021	Rethinking Our Approach to Cyber Defence In Financial Institutions
		FIDE Elective Program Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness
		BNM Annual Report 2020 Dialogue
Seow Yoo Lin	September 2020	Anti-Money Laundering FY2019/2020
	November 2020	Cyber Security Awareness
	February 2021	JC3's Second Workshop on Climate Change – Series 2
Farina binti Farikhullah Khan	August 2020	Staying Ahead with Data Analytics
	September 2020	Anti-Money Laundering FY2019/2020
	October 2020	PETRONAS Board Excellence Advance 1: Best Practices for Board Excellence
	November 2020	Cyber Security Awareness
		Effective Non-Executive Director
		PETRONAS Board Excellence Series: Malaysian Financial Reporting Standards Updates by Klynveld Peat Marwick Goerdeler
	December 2020	Shariah Governance Policy Document Programme
		Goldman Sachs – Oil and Gas Outlook
Hong Kean Yong	May 2020	Outthink the Competition: Excelling in a Post COVID-19 Pandemic World
		Challenging Times: What Role Must the Board Play?
	June 2020	Induction: Board of Directors
	July 2020	FIDE Forum Webinar: "Risks: A Fresh Look from the Board's Perspective"
	October 2020	Anti-Money Laundering FY2019/2020
	November 2020	Cyber Security Awareness
	December 2020	Singapore Fintech Festival
		Briefing on Capital Management and Stress Test
	March 2021	Rethinking Our Approach to Cyber Defence in Financial Institutions

Name of Directors	Month/Year	Course Title
Dato' Kong Sooi Lin	June 2020	Induction: Board of Directors
	July 2020	Raising Defences: Section 17A, Malaysian Anti-Corruption Commission Act
	October 2020	Anti-Money Laundering FY2019/2020
		Transformation Towards Recovery: Operational Resilience
	December 2020	Briefing on Capital Management and Stress Test
		Coldwell Banker Richard Ellis Training on United Kingdom and Australia Property Markets
	March 2021	Legal Updates on the Real Estate Industry in United Kingdom and Australia

Board Matters	Board Activities
	1. Share Buy-Back scheme 2. Approved the 2020 Integrated Report 3. Implementation of COVID-19 Leave and Reduced Work Day 4. Private placement 5. Appointment of director and changes to the composition of board committee of the Company
	1. Critical Services Defined based on Bank Negara Malaysia's Risk Management in Technology Policy Document 2. Policies – Anti-Bribery and Corruption Policy, Know Your Customers (Enhancement of Due Diligence), Trading in the Group Shares Policy, Related Party Transaction Policy 3. Status update on scope and action for discussion on Anti-Bribery and Corruption Practices
	1. Digital strategy recalibration FY2021 – FY2024
	1. Annual Salary Review Pool, Bonuses and Executive Share Scheme 2. Approved FY2021 KPIs for the Group CEO and C-Suites
	1. COVID-19 impact on the Group and Business Continuity Management 2. Economic Updates by Group Chief Economist 3. Measures taken to assist customers affected by COVID-19 pandemic 4. Budget for financial year ending 31 March 2021 5. Board Retreat session (conducted virtually with Senior Management to ensure alignment on the Group's Focus 8 Strategy and future directions)
	1. Moratorium Reschedule and Restructure Updates 2. Consecutive Leave Days Requirement 3. Industry-wide Bottom-up Stress Test and Sensitivity Analysis Exercise 2020 4. Risk Report on risk exposures and risk portfolio composition of the Group 5. Compliance report on controls polices and processes of the Group and compliance issues 6. Approved Outsourcing Plan of the Group and Affiliates for FY2021
	1. Digital Service Tax 2. Capital crisis severity level assessment and monitoring 3. Approved the Internal Capital Adequacy Assessment Process for year 2020 4. Approve the Annual Capital Plan for FY2021 to FY2023 5. Approved the Liquidity and Funding Plan for FY2021 6. Approved Quarterly Financial Results 7. Approved Audited Financial Statement FY2020
	1. Discussed and deliberated on the Settlement of RM2.83 billion with Government of Malaysia
	1. Sustainability framework 2. Group Energy Policy 3. Reviewed the BEE results for FY2020 and discussed action plans to address the gaps

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTEGRITY AND ETHICS

The Board acknowledges its role in establishing a healthy corporate culture that embeds ethical conduct within the Group. The adoption of policies that promote integrity, transparency and fairness ensure that the Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Group.

As a financial institution we are driven by our responsibility to ensure high standards of ethics and corporate governance. Our business strategies and policies are formulated to steer us into demonstrating responsible, transparent, inclusive and ethical conduct in all dealings.

We have shared our commitment to responsible banking through a strong governance system within the Group as disclosed on page 140 of our Sustainability Statement in the AmBank Group IR 2021. The Report sets out our stringent policies that encourage openness and accountability in the way we work, while protecting the Group against Illegal and unethical practices.

AWARDS & RECOGNITION

1. Minority Shareholders Watchdog Group (MSWG)
    - Asean Corporate Governance Awards 2020
      (Overall Corporate Governance and Performance Award)

2. MSWG
    - Asean Corporate Governance Awards 2020
      (2nd Placing in Excellent in Corporate Governance Disclosure)

3. MSWG
    - Industry Excellence Award – Financial Category

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

The Group Nomination and Remuneration Committee (GNRC or the Committee) comprises five members, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director.

Farina binti Farikhullah Khan
Chairman

The Chairman of the GNRC plays a lead role in the succession planning and appointment of Board members, the annual review of Board effectiveness as well as ensuring that the performance of each individual Director is independently assessed.

The GNRC assists the Board on the appointments and assessment of Directors and Senior Management. It also reviews and assists the Board in establishing the framework/methodology for the remuneration of the Directors, Group CEO and Senior Management.

COMPOSITION AND MEETING ATTENDANCE

A total of eight meetings of the Company's GNRC were held during the FY2021, and details of the meeting attendance are set out below:

	Number of Meetings		
Name of Committee Members	**Held During Tenure in Office**	**Attended**	**%**
Farina binti Farikhullah Khan *(Chairman)* *(Independent Non-Executive Director)*	8	8	100
Graham Kennedy Hodges *(Non-Independent Non-Executive Director)*	8	8	100
Soo Kim Wai *(Non-Independent Non-Executive Director)*	8	8	100
Voon Seng Chuan *(Senior Independent Non-Executive Director)*	8	8	100
Seow Yoo Lin *(Independent Non-Executive Director)*	8	8	100

GFR *The profiles of Farina binti Farikhullah Khan, Graham Kennedy Hodges, Soo Kim Wai, Voon Seng Chuan and Seow Yoo Lin are disclosed on pages 09, 11, 12, 13 and 14 of this GFR 2021.*

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

ROLES AND RESPONSIBILITIES OF GNRC

The key responsibilities of the Committee include, amongst others, the following:

- Regular review of the overall Board's composition (i.e. size, skills, experience, diversity, etc) and Board balance;
- Assess the performance and effectiveness of members of the Board and Board Committees, individually and collectively;
- Recommend the appointment of Directors to the Board and Board Committees and annual review of mix of skills, experience and competencies of the Board;
- Oversee the implementation of AMMB Executives' Share Scheme ('ESS') in accordance with the By-Laws of the ESS;
- Assess the annual performance of key management personnel against balanced scorecard and recommend the short and long-term incentives and rewards to the Board; and
- Recommend a formal and transparent procedure for developing the remuneration policy for Directors, key management personnel and staff to the Board.

The GNRC's detailed roles and responsibilities are set out in its Terms of Reference, which is available on the Group's corporate website at ambankgroup.com.

SUMMARY OF GNRC'S KEY ACTIVITIES DURING FY2021

Board Matters

- Assessed the performance of individual Directors, the Board and its performance and effectiveness as a whole, and also reviewed the composition of the Board based on the required mix of skills, experience and other qualities of the Board;
- Assessed the suitability of potential Director candidates to fill vacancy(ies) in the Board of the Company and subsidiaries without Nomination and Remuneration Committee based on their professional qualifications, experience, integrity and the new skill set required by the respective Boards;
- Reviewed and assessed the performance of Directors who sought re-appointment prior to the expiry of their tenures approved by BNM and re-election at the forthcoming AGM;
- Assessed Directors' training needs to ensure all Directors receive appropriate continuous training;
- Discussed Board gaps and succession planning
- Reviewed the Group Nomination and Remuneration Report for inclusion in the Annual Report;
- Assessed the suitability of potential candidates to fill vacancy(ies) in the Shariah Committee Member; and
- Formalisation of Single Shariah Committee for subsidiaries.

Management Matters

- Reviewed and assessed the performance of Group CEO and C-Suites against a set of balanced scorecards with KPIs and targets agreed upon at beginning of the financial year;
- Recommended annual salary review pool allocation for employees;
- Reviewed and recommended the proposed change to employee benefits, i.e. compassionate leave being extended to cover COVID-19;
- Reviewed and assessed the annual self-declaration of "Fit and Proper" criteria for Directors and key management personnel;
- Reviewed the Group's Talent Pool and C-Suite Succession;
- Recommended the renewal of employment contract of key management personnel together with their remuneration; and
- Reviewed half-yearly KPI achievements of Group CEO and C-Suites.

Minutes of all GNRC meetings were tabled to the Board for noting. In addition, the GNRC Chairman would also apprise the Board on key discussions and matters of significant concern deliberated at the GNRC meetings.

BOARD KNOWLEDGE, SKILLS AND EXPERIENCE

Performance Evaluation

The Group conducts an annual Board Effectiveness Evaluation ('BEE') exercise with the objective of assessing the performance of the Board as a whole, Board Committees, and individual Directors.

The Board and Board Committees are evaluated based on the expectation that they are expected to perform their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

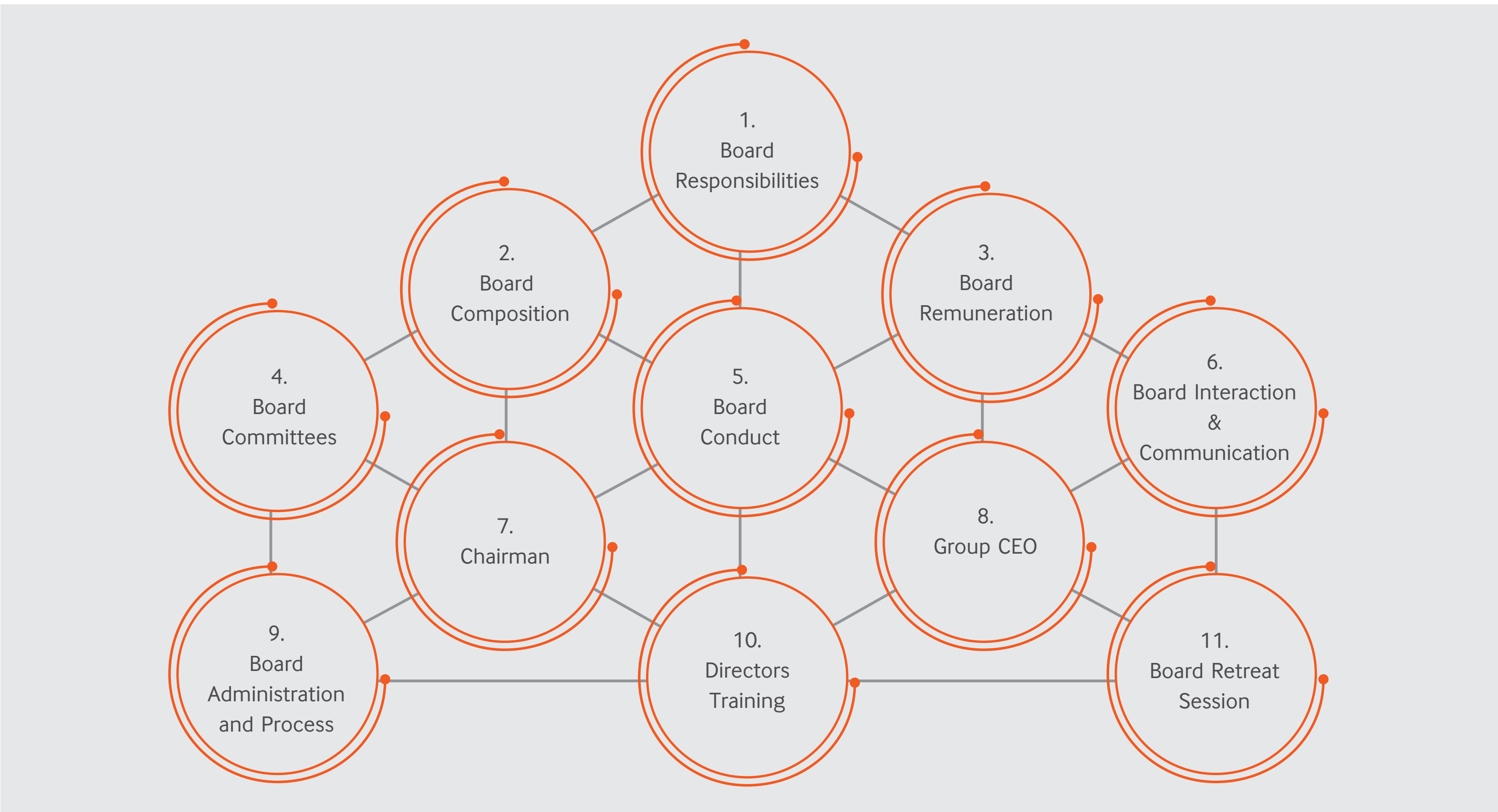
The BEE exercise was a process involving a questionnaire based self-assessment exercise where Directors assessed the performance of the Board, Board Committees and individual Directors.

The assessment of individual Directors took into consideration their contributions to the Board and their experience, competencies, integrity as well as commitment in meeting the requirements of the Group.

For the FY2021, the results of the BEE formed part of the basis for evaluation by the GNRC for the appointment and re-appointment of Directors.

The results of the Board, Board Committees' evaluation and assessment of the individual Directors enabled the Board to put in place actions to address areas for improvement. Priority areas and key findings have since been incorporated in the action plans to be addressed in the new financial year.

BOARD AND BOARD COMMITTEE EFFECTIVENESS



DIRECTORS' SELF AND PEER EVALUATION

1. Board Dynamics & Participation
2. Integrity & Objectivity
3. Technical Competencies
4. Recognition
5. Independence

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

SELECTION AND APPOINTMENT OF DIRECTORS

Process on Selection of Directors

Appointment of New Directors

The cooling-off period for the appointment of Independent Directors and specific person including an existing or former officer, adviser or transacting party of the listed issuer has been extended from two years to three years pursuant to the amendment to the MMLR of Bursa Securities on the enhancement of Independent Directors.

The policies and procedures for new appointments are as follows:

POLICIES

a. The GNRC will establish the minimum requirements on the skills and core competencies of a Director based on the annual review of the required mix of skills, experience and core competencies within the Board as well as to ascertain the "Fit and Proper" criteria for each Director.

b. When assessing a person to be nominated for election to the Board, the qualifications and skills to be considered by the GNRC, shall include, but are not limited to:

- whether or not the person qualified as a Director under applicable laws and regulations, including applicable provisions of the MMLR of Bursa Securities;
- whether or not the person meets the "Fit and Proper" criteria under BNM Guidelines;
- whether or not the person is willing to serve as a Director and to commit the time necessary to perform the duties as a Director;
- the contribution that the person can make to the Board and to the overall desired Board composition, taking into account the person's business experience, education and such other factor as the Board may consider relevant; and
- the character and integrity of the person.

c. The GNRC may identify Director candidate(s) using executive search firms and/or via recommendation from other Directors.

PROCEDURES

a. The GNRC will perform a preliminary assessment of potential candidates based on referrals from executive search firms or other Directors and shortlist candidates for engagement session.

b. Once shortlisted, three members of the GNRC will have an engagement session with the potential candidates to assess the suitability in terms of technical expertise, experience and the behavioural and culture fit with the Board in addition to ascertain the candidates' interest, availability and terms of appointment.

c. Upon completion of the engagement, the enagement results and the GNRC members' assessment of candidates will be tabled at the GNRC for further discussion and deliberation on the suitability of the candidate(s) for recommendation to the Board for appointment.

d. Once potential Director candidate(s) are shortlisted for recommendation, the Company Secretary will conduct comprehensive reference checks, including checks on financial and character integrity, in line with regulatory requirements on the candidate(s).

e. Upon completion of reference checks, the GNRC will recommend the proposed candidate(s) to the Board of the Company or to the Board of the respective subsidiaries.

f. The Board will deliberate on the recommended candidates(s) and if deemed appropriate, shall approve subject to BNM's approval.

g. Upon approval by the Board, an application for the proposed appointment is submitted to BNM.

h. Once approval from BNM is obtained, the candidate(s) has/have to complete the required statutory form.

i. Upon appointment of the candidate(s), a letter(s) of appointment shall be issued to the candidate(s).

Re-election and Re-appointment of Directors

The Company's Constitution permits the Board to appoint a person to be a Director of the Company at any time, either to fill a casual vacancy or as an addition to the existing Directors, and in any case, the number of Directors shall not be less than three.

A candidate who was appointed as Director of the Company must seek re-election by shareholders at the next Annual General Meeting ('AGM'). The Constitution of the Company further provides the rotation of Directors whereby one-third or more of the Directors are to retire at every AGM of the Company and that all Directors must retire at least once in three years and shall be eligible for re-election.

Directors who are due for re-election/re-appointment are also subject to the following policies and procedures:

POLICIES

a. Retirement of Directors by rotation will follow the requirements as stipulated in the Constitution of the Company.

b. Tenure of Directorship will follow the requirement as stipulated in the Company's Board Charter and BNM Policy Document on Corporate Governance which limits the tenure of Independent Non-Executive Directors to a maximum of nine years.

PROCEDURES

a. The GNRC will assess the performance and contribution of each Director to the Board and Board Committees based on the results of the annual BEE and individual Directors' self and peer assessment.

b. The GNRC will consider the current Directors in the same manner as other candidates, taking into consideration the Director's performance during his or her term, including consideration of the following factors:
   - Compliance with governing legislation, regulations or guidelines, particularly conflict of interest, confidentiality, "Fit and Proper" criteria and duty of care provisions; and
   - Whether or not an independent Director still qualifies as "independent" under applicable laws and regulations, including provisions of MMLR of Bursa Securities.

c. Based on the assessment results, the GNRC will recommend the Directors seeking re-appointment/re-election to the Board, who will then recommend to the shareholders for approval at the AGM.

d. For Directors seeking re-appointment pursuant to BNM-approved tenure, an application for the proposed re-appointment will be submitted to BNM for approval, upon approval by the Board.

Directors who are subject to re-election at the forthcoming AGM pursuant to Clause 94 of the Constitution of AMMB:

- Graham Kennedy Hodges
- Soo Kim Wai
- Seow Yoo Lin

Director who was appointed in the FY2021 and is subject to re-election at the forthcoming AGM pursuant to Clause 102 of the Constitution of AMMB:

- Robert William Goudswaard

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

Succession Planning

The Group has established programmes to identify employees with potential and nurture them through career development opportunities for Senior Management positions. The development programme is closely monitored and managed by the Group Talent Council ('GTC') comprising members of the Senior Management team within the Group. The GTC administers various programmes in accordance with the Board-approved Talent and Succession Management ('TSM') Policy and terms of reference.

During the year, the GNRC was entrusted by the Board to review the succession planning and the talent pipeline for Senior Management positions. The GNRC guides Management in refining the accelerated development approach to create a robust pool of qualified banking experts and supporting professionals. This includes pairing identified individuals with mentors and executive coaches, creating cross-functional training and exposure, and formal learning and assignments.

In the event that there is no suitable internal candidate within the accelerated development time frame, the Group will search and identify external candidates.

The GNRC closely monitors management positions and succession pipelines, including top management positions at the Group level and heads of subsidiaries, in particular the Chief Executive Officer and Chief Financial Officer, whose appointments are subject to the approval of BNM.

In addition to appointments, the GNRC reviews several areas including the reasons behind management-level and senior executive resignations, expatriate employee transfer of knowledge, manpower analysis and staffing requirements. All of these factors are considered towards ensuring that the Group continues to be able to attract, motivate and retain the right talent pool.

The potential successor will be managed and his/her individual development plan will be tracked with structured interventions to build leadership and functional capability.

The Board has also entrusted the GNRC with the responsibility of reviewing the Board's succession plans for Directors.

Governance of Talent and Succession Management ('TSM')

BOARD	Provide strategic direction & approve TSM outputs for implementation with regard to Succession Plan for C-Suite & expatriate-filled positions
GROUP NOMINATION AND REMUNERATION COMMITTEE	Review & recommend proposed succession & C-Suite & expatriate appointments to the Board for approval
GROUP TALENT COUNCIL	Review & approve TSM outputs & development plans for implementation and conduct annual talent

REMUNERATION

Director

The Directors are paid Directors' fees, Board Committee allowances, meeting allowances, stipend, benefits-in-kind and Directors' and Officers' insurance coverage.

The remuneration structure of the ***Non-Executive Directors*** of AMMB is laid out as follows:

Directors Fees *(per annum)*	**Chairman**	**Deputy Chairman**	**Non-Executive Director**
	RM210,000	RM210,000	RM200,000

Note: Directors' fee is payable after shareholders' approval at the AGM.

Board Committee Allowance *(per annum)*	**Chairman**	**Member**
Audit and Examination Committee	RM40,000	RM20,000
Risk Management Committee	RM30,000	RM20,000
Group Nomination & Remuneration Committee	RM30,000	RM20,000
Group Information Technology Committee	RM30,000	RM20,000

Meeting Allowance	**Board**	**Board Committee**	**Other Meeting**
	RM2,500 per meeting		

Allowance to the Chairman/ Stipend *(per annum)*	
Board	RM1,440,000

Benefits-in-kind

Medical (on claim basis) and any expenses incurred by the Directors in performing their duties.

Directors' and Officers' Liability Insurance

A combined and shared policy limit of RM200.0 million (or any other amount as approved by the Board of the Company from time to time) in aggregate during the policy period covers the Group's Directors in respect of any liabilities arising from any act committed in their capacity as Directors and Officers of the Group. The Directors and Officers are required to contribute jointly towards a portion of the premiums of the said policy.

Details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during the FY2021) are as follows:

		Fee (RM'000)		Emoluments[1] (RM'000)			
Name of Director	**Salary and Bonus**	**AMMB**	**Subsi**	**AMMB**	**Subsi**	**Benefit-in-kind[2] (RM'000)**	**Total (RM'000)**
Tan Sri Azman Hashim	–	210	–	1,473	–	19	1,702
Graham Kennedy Hodges	–	200	–	110	–	1	311
Soo Kim Wai	–	200	150	113	105	19	587
Voon Seng Chuan	–	200	160	120	268	1	749
Seow Yoo Lin	–	200	150	125	63	1	539
Farina binti Farikhullah Khan	–	200	150	108	112	2	572
Hong Kean Yong	–	200	–	120	–	1	321
Dato' Kong Sooi Lin	–	200	150	113	65	1	529
Robert William Gourdswaard *(Appointed on 25 March 2021)*	–	4	–	–	–	–	4

Notes:

1 *Emoluments comprised Board Committee allowance, meeting allowance and allowance to the Chairman of the Board.*

2 *Benefit-in-kind comprised provision of medical claims and any expenses incurred by the Directors in performing their duties.*

The remuneration of the following Directors who sit on the Boards of other subsidiaries of the Group during the FY2021 is disclosed under the subsidiary column of the above table:

Voon Seng Chuan	Director of AMMB and Chairman of AmBank (M) Berhad
Soo Kim Wai	Director of AMMB and AmBank (M) Berhad
Seow Yoo Lin	Director of AMMB and AmInvestment Bank Berhad
Farina binti Farikhullah Khan	Director of AMMB and AmBank Islamic Berhad
Dato' Kong Sooi Lin	Director of AMMB and AmInvestment Bank Berhad

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

The number of Directors of the Company whose total remuneration during the FY2021 fall within the following bands are as follows:

Range of remuneration	Number of Director	
	Executive	Non-Executive
Below RM100,000	–	1
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	–	2
~ RM500,001 – RM550,000	–	2
RM550,001 – RM600,000	–	2
~ 700,001 – 750,000	–	1
750,001 – 800,000	–	–
~ RM1,000,001 and above	–	1

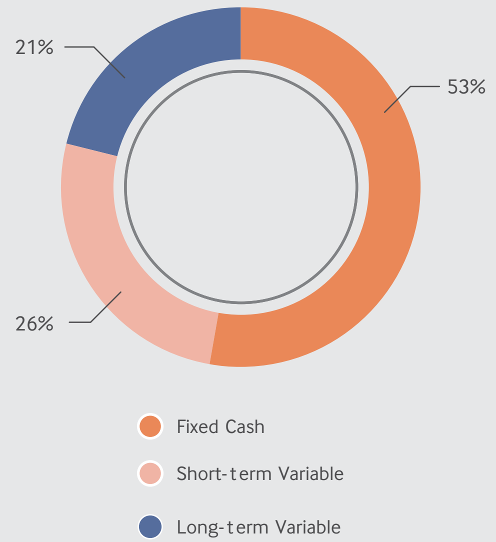
Senior Management

The Board is of the view that the disclosure of the remuneration of the top five Senior Management on named basis in bands of RM50,000 as required under Practice 7.2 of the MCCG 2017 is not to the Group's advantage or in its best business interest, considering the highly competitive market for talent in the industry where poaching of executive are a common practice. The number of Senior Management of the Company and its subsidiaries whose total remuneration during the FY2021 fall within the following bands are as follows:

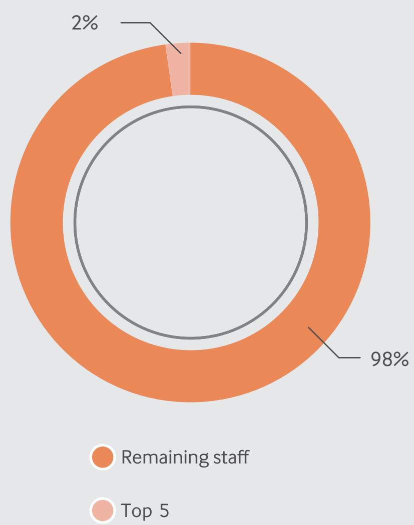
Range of remuneration	Number of Senior Management
Up to RM150,001	10
RM150,001 – RM200,000	0
RM200,001 – RM250,000	4
RM250,001 – RM300,000	5
RM300,001 – RM350,000	8
RM350,001 – RM400,000	14
RM400,001 – RM450,000	19
RM450,001 – RM500,000	22
RM500,001 – RM550,000	36
RM550,001 – RM600,000	25
RM600,001 – RM1,000,000	94
RM1,000,001 and above	31
Grand Total	**268**

* *Includes pro-rated remuneration for new hires*

Top five Total Remuneration Composition



Top five Total Remuneration vs Rest of the Group



THE GROUP REMUNERATION OBJECTIVES

The Group's remuneration structure is governed by GNRC and the Board-approved Total Rewards Policy of the Group, where inputs from control functions and Risk Management Committee of the Board are solicited. This policy which is applicable to all divisions and subsidiaries within the Group, seeks to ensure that we are able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out by the BNM Policy Document on Corporate Governance.

Independent review is conducted periodically to ensure that the Group's Total Reward Policy and practice is in line with the industry practice and continues to support the Group's Total Reward philosophy. When formulating and refining the remuneration strategy, consideration is also given to align our remuneration approach with the Group's medium to long-term strategic objective, culture and values in order to drive desired behaviours and achieve objectives set out in the balanced scorecard.

The following are the main thrusts of the Group's remuneration strategy:

Pay for performance measured against the balanced scorecard

- Instill and drive meritocracy
- Ensure linkages between total compensation and annual, medium and long-term strategic objectives
- Balance employees' actual fixed and variable pay mix to drive sustainable performance and alignment to the Group's culture and value of assessing both behavioural and quantitative Key Performance Indicators ('KPIs') achievements

Provide market competitive pay

- Benchmark total compensation against other peer organisations of similar size and standing in the markets and businesses where we operate
- Drive pay-for-performance differentiation with differentiated benchmarking quartile for top performing employees

Guard against excessive risk-taking

- Focus on achieving risk-adjusted returns that are consistent with the Group's prudent risk and capital management, as well as emphasis on long-term sustainable outcomes
- Design variable pay payout structure with long-term performance through deferral and allowance for clawback arrangements

THE GROUP'S APPROACH TO REMUNERATION

The Group's remuneration is made up of two components; fixed pay and variable pay.

	WHAT	WHY Why and Linkages to Strategy	HOW
Fixed Pay	• Base Salary • Fixed Allowances	• Pay for Position (or market value of the job) to attract and retain by ensuring the fixed pay is competitive vis-à-vis comparable organisations	• Adhering to the market value of the job at the individual's competency level, skills, experience and responsibilities • Fixed amount paid monthly • Typically reviewed and revised annually
Variable Pay	• Short Term Incentive (Performance Bonus) • Long-term Incentive (AMMB ESS)	• Pay for Performance – Focus employees on the achievement of objectives which are aligned to value creation for the shareholders – Align payout to time horizon of risk to avoid excessive risk taking and provide for deferral, malus and forfeiture arrangements	• Based on the performance of the Group, line of business or subsidiary and the employee's individual performance. • Measured against a balanced scorecard with KPIs and targets agreed at the beginning of each financial year. • Awards for individuals in Senior Management positions and/or positions with significant organisational responsibilities that have material impact on the Group's performance and risk profile is subject to deferral. • Deferral remunerations are paid in AMMB shares.

GROUP NOMINATION AND REMUNERATION COMMITTEE REPORT

DETERMINATION OF SHORT TERM INCENTIVE (PERFORMANCE BONUS) POOL AND INDIVIDUAL AWARD

The following mechanisms are used to derive the Group's short term incentive pool and incentive pools for business units and/or subsidiaries:

Group's Short Term Incentive Pool

A function of profits benchmarked against peer comparators and calibrated against:

- Risk adjustments
- Distribution of earning between shareholders and employees

Guided by the Board-approved Group STI/Performance Bonus Framework, based on:

- Comprises financial and non-financial metrics covering employees, customers, shareholders, risks and compliance objectives; and
- Reviewed and evaluated by the GNRC and subsequently approved by the Board. The GNRC has the discretion to adjust the pool where required, based on poor performance, capital requirements, economic conditions, competitive landscape and retention needs.

Business Unit/Subsidiaries Short Term Incentive Pool Allocation

The Group pool is reallocated to the business units/subsidiaries taking into account:

- each unit's actual performance achievement against target; and
- the relative performance of each unit.

measured through each unit's balanced scorecard and evaluated by the Group CEO and the GNRC

Inputs from control functions (Audit, Compliance and Risk) are sought.

Currently, only the Chief Internal Auditor is measured independently with the performance outcome being recommended by the AEC.

Individual awards are based on the employee's performance, measured through a balanced scorecard that takes into account qualitative and quantitative objectives as set out in the individual's KPIs.

The performance of control functions (Audit, Compliance and Risk) are assessed independently from the business units they support to prevent any conflicts of interests.

Sales employees are incentivised via respective sales incentive plans to promote the development of mutually beneficial long term relationships with their customers, rather than short term gains. As such, non-financial metrics such as customer satisfaction and fair dealing principles are incorporated into their KPIs and with compliance as payout triggers.

LONG-TERM INCENTIVE (AMMB ESS)

The AMMB ESS forms the Group's long-term compensation component that is forward looking with rewards based on the Group's future performance. The ESS allows for the following objectives to be met:

- Align long-term interest of Senior Management with those of shareholders;
- Retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- Attract potential employees with the relevant skills to contribute to the Group and to create value for shareholders; and
- Deliver compensation in a manner that drives the long-term performance of the Group.

The ESS is delivered in the form of performance shares which comprises two elements, namely:

- Main Award, that vests over a period of three years, contingent on the Group meeting long-term performance targets.
- Retention Award (deferred component of the Short Term Incentives received), administered through the ESS plan vested in two equal instalments over a period of two years. No further performance condition applies.

VARIABLE PAY DEFERRALS

Variable pay for individuals in Senior Management positions and/or positions with significant organisational responsibilities that have material impact on the Group's performance and risk profile is subject to deferral.

The deferral award is paid in the form of AMMB performance shares with the objective of:

- Retaining key employees (Retention Award), and
- Driving the Group's long-term performance and sustainability (Main ESS Award)

Malus of unvested awards will be triggered by material violation, negligent, willful misconduct and fraud and breach of compliance as well as Anti-Money Laundering and Counter Financing of Terrorism as outlined in the ESS By-Laws.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors ("Board") is responsible for the governance and oversight of the Group's risk management framework and internal control systems' effectiveness. The Board has instituted a sound process for an enterprise-wide identification, assessment and management of risks to ensure risk taking activities are aligned with the Group's business strategy and viability. This process is regularly reviewed by the Board and is in-line with the guidance on internal control, *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*.

In establishing and reviewing the risk management and internal control system, the Directors have considered the materiality of identified risks, the likelihood of losses being incurred, the capacity of the Group to absorb losses and the cost of control. Accordingly, the purpose of the risk management and internal control system is to manage and minimise the risk of failure to achieve the policies and objectives of the Group and to provide reasonable assurance against risk of material misstatement or losses.

The Board is assisted by the Risk Management Committee of the Board ("RMC") to oversee the governance of risks within the Group and ensure that there is effective infrastructure in place (policies, frameworks, processes, resources and systems) to manage risk and conduct Management activities in identifying, assessing, controlling and monitoring risks. The Board is also assisted by the Audit and Examination Committee of the Board ("AEC") to provide independent oversight of the Group's financial reporting and internal control systems that facilitate appropriate checks and balances within the Group.

Periodic summary reports are provided by RMC and AEC to keep the Board informed of the Board Committees' work, key deliberations and decisions on delegated matters.

The Management is responsible for the implementation of the Board's risk management policies and for identifying and evaluating the risks faced by the Group, as well as to put in place internal control systems to mitigate, manage and monitor these risks.

CONCLUSION

For the year under review, the Board has received the reports of the AEC and RMC. An annual assessment of the effectiveness of risk and internal control processes has been conducted and the Chief Risk Officer has provided his assurance to the Chief Executive Officer and Chief Financial Officer. The Chief Executive Officer and Chief Financial Officer have then provided their assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and, up to the date of issuance of the financial statements, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The Group has adopted a coordinated and formalised approach to risk management and internal control, which is operationalised through the "Three Lines of Defence" concept. The Business Units form the first line of defence, Risk and Compliance (including Shariah Review and Shariah Risk Management for Islamic Banking), the second line of defence while Internal Audit (including Shariah Audit for Islamic Banking) forms the third line of defence. The key risk management and internal control processes are implemented via the following:

- The RMC of the Group and its major subsidiaries assist the Board in the oversight of the overall risk management structure. At Senior Management level, a number of management-level committees have been established to assist the Board to holistically manage the risks and businesses of the Group. These committees, namely the Group Management Committee, Group Management Risk Committee, Group Asset and Liability Committee, Group Management Governance and Compliance Committee, Credit and Commitments Committee and Watchlist and Classification Committee, address all classes of risk within Board delegated mandates: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, regulatory compliance risk, reputational risk, product risk, business and IT project risk and cyber risk.
- Risk management principles, policies, practices, methodologies and procedures are made available to appropriate staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.
- The organisational structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances, corresponding to the business and operations activities' needs. This includes the empowerment and setting of authority limits for proper segregation of duties.
- The AEC of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group's internal controls systems. The AEC reviews the Group's financial statements and reports issued by Group Internal Audit and the external auditors including monitoring the corrective actions taken to address issues highlighted in the reports.

- The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.
- 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-compliance incidences as well as treatment of Shariah non-compliant income (if any).
- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. There is also dedicated team within Group Internal Audit that performs Shariah Audit, which is responsible to conduct independent assessment on the quality and effectiveness of the Islamic Banking's internal control, risk management systems, governance processes as well as the overall compliance of the Islamic Banking's operations, business affairs and activities with Shariah. The AECs review the work of Group Internal Audit, including reviewing its audit plans, progress, reports issued and status of resolution of key audit findings highlighted.
- The Group's focus is on achieving sustainable and profitable growth within its risk management framework by ensuring sound risk practices and business outcomes are achieved and aligned through a set of limits and controls and policies and procedures to safeguard the Group's sustainable risk-taking and sufficient returns. The Group's annual strategic business plans and budgets are prepared by the Group's business divisions and submitted to the Board for approval. Progress of the Group's business plans and performance achievements are rigorously tracked and reviewed against budget in monthly review meetings and specific taskforce set up for the purposes of monitoring our key focus areas allowing for timely responses and corrective actions to be taken to mitigate risks.
- The Group emphasises human resource development and training as it recognises the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment, promotion and performance appraisals to promote a high performance culture by rewarding high performers and counseling poor performers. Our Short Term Incentive (STI) and Long Term Incentive (LTI) are used primarily to reward and encourage outstanding individuals for their contribution to value creation while protecting the shareholders' interest. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.
- A Code of Ethics has been formulated to protect and enhance the Group's reputation for honesty and integrity. The Code of Ethics is based on the following principles: compliance with the law both in letter and in spirit, with the Code and AmBank Group's policies and procedures; upholding the highest level of integrity and acting with honesty and professionalism; identifying and managing conflicts of interest responsibly; ensuring completeness and accuracy of underlying records, financial or otherwise; ensuring fair and equitable treatment to all; and ensuring confidentiality of information and transactions.
- The Code of Conduct, launched in March 2018, represents the Group's commitment to uphold, maintain and demonstrate a high level of integrity, professionalism and ethical conduct. The Code of Conduct provides a clear direction in conducting business, interacting with community, government and business partners as well as general workplace behaviour. The Code of Ethics above is a subset of the Code of Conduct. The Code of Conduct was established by the Board. The Board takes a leadership role in shaping and driving the governance of, and compliance with, policies and practices via key management committees, Group Risk, Group Legal, Group Compliance, Group Internal Audit, Group Information Services, Group Finance and Group Human Resource. The Code of Conduct was developed according to a value-based approach which consists of five key areas: Message from our Chairman and Group CEO, Ethical Standards, Company and People, Marketplace and Commitment to Sustainability.
- The Group has in place a compliance framework that drives prudent, transparent and inclusive business conduct, compliant to the dictates of the Malaysian regulatory and supervisory framework. The framework provides the methodology and approach for risk identification, prevention and mitigation. The Compliance function promotes the safety and soundness of the Group's practices and conduct by minimising financial, reputational and operational risks arising from regulatory non-compliance.
- The Group believes in and embraces a culture of complete adherence to regulatory rules and regulations; demanding the highest ethical standards and integrity, where the Board and Senior Management lead by example. The Group continues to exercise and enhance its due diligence and governance processes and remains vigilant to emerging risks as well as sensitive towards heightened regulatory surveillance and enforcement.
- Training is provided to employees of the Group on relevant legal and regulatory requirements, and guidance on implementation of internal controls to manage compliance risks.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by Bursa Securities' Main Listing Requirements Paragraph 15.23, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was in accordance with Audit and Assurance Practice Guide 3: *Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report*, issued by the Malaysian Institute of Accountants. This does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this statement is inconsistent with their understanding of the processes the Group had adopted in the review of the adequacy and integrity of the risk management and internal control system of the Group.

RISK MANAGEMENT COMMITTEE REPORT

The Risk Management Committee (RMC or the Committee) comprises three members, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director. The Committee oversees the adequacy of risk management within the Group.

Following the close of FY2021, Mr Robert William Goudswaard and Mr Voon Seng Chuan were appointed as members of the RMC effective 1 April 2021.

Dato' Kong Sooi Lin
Chairman

COMPOSITION AND MEETING ATTENDANCE

The RMC consists of three members all of whom are Non-Executive Directors, including two Independent Non-Executive Directors. Members of the RMC possess sound judgement, objectivity, independent attitude, management experience, integrity and knowledge of the industry. A total of seven meetings of the Company's RMC were held during the FY2021.

	Number of Meetings		
Name of Committee Members	**Held During Tenure in Office**	**Attended**	**%**
Dato' Kong Sooi Lin *(Chairman)* *(Independent Non-Executive Director)*	7	7	100
Graham Kennedy Hodges *(Non-Independent Non-Executive Director)*	7	7	100
Hong Kean Yong *(Independent Non-Executive Director)*	7	7	100

GFR *The profiles of Dato' Kong Sooi Lin, Graham Kennedy Hodges and Hong Kean Yong are disclosed on pages 09, 15 and 16 of this GFR 2021.*

ROLES AND RESPONSIBILITIES OF RMC

The key responsibilities of the Committee include the review and evaluation of:

- Senior Management's activities in managing risk
- High-level exposures and risk portfolio composition
- Cyber security risk
- The overall effectiveness of the controls and risk management infrastructure of the Group, together with Group Internal Audit
- The Group's risk management strategies, policies, frameworks, methodologies and risk tolerance standards
- Risk systems and resources

RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF RMC'S KEY ACTIVITIES DURING FY2021

The Committee's oversight of the holistic risk management of the Group through Group Risk Management had extensive deliberations on the following and where appropriate, recommended to the Board for approval:

1. COVID-19 related strategies and actions.
2. Quarterly provision analysis report.
3. Movement in macro provision on quarterly basis.
4. Group's risk and compliance policies.
5. Semi-annual stress test.
6. On-going risk management activities to identify, evaluate, monitor, manage and mitigate critical risks to an acceptable level.
7. Risk direction and appetite.
8. Emerging risks and mitigation actions.
9. Key performance indicators scorecard of the Group Chief Risk Officer and Group Chief Compliance Officer.
10. Progress and timeline of the Group's migration to the Foundation Internal-ratings Based (FIRB) for capital adequacy.
11. Compromise Assessment Exercise to assess cyber security risk.
12. Status update on scope and action for discussion on Anti-Bribery and Corruption Practices.
13. Sustainability Statement, Risk Management Committee Report and Statement of Risk Management and Internal Control.
14. The anticipatory forward looking expected credit loss overlay for FY2021.
15. Risk maturity assessment.
16. Compliance monitoring and testing plan.

GROUP RISK MANAGEMENT

RISK STRATEGY

Risk strategy centers around the following initiatives:

Enhancing risk governance.	Upgrading the Group's risk infrastructure.	Enhancing comprehensive risk appetite strategy, execution and monitoring framework.	Improving funding and liquidity risk management.
Improving underlying asset quality and enhancing portfolio diversification	Materially lowering loan loss provisions.	Developing robust risk/reward pricing models.	Positioning the Group for Internal-ratings Based (IRB) status under Basel II.

RISK GOVERNANCE

The Group's risk governance and culture follows the "Three Lines of Defence" framework, with the motto "Risk is Everyone's Responsibility". A robust policy and guideline framework is supporting the Group's overall risk management infrastructure.

SUMMARY OF GROUP RISK MANAGEMENT'S KEY ACTIVITIES DURING FY2021

COVID-19

- The year under review was earmarked by an unprecedented event requiring risk management resources to put much focus on managing the impact of the COVID-19 pandemic. Apart from putting in place business continuity plans such as split teams, COVID-19 specific standard operation procedures ('SOP's') and work from home ('WFH) arrangements, credit teams have been actively assisting private individuals and businesses to cope with this event. Appropriate provisions have been taken to anticipate potential losses resulting from individuals and businesses not being able to repay the Group.

Wholesale Credit Risk

- Credit certification – Four credit officers in Wholesale Credit Risk completed their accreditation in the current year with another six credit officers registered.
- A webinar on MFRS 9: Overview and Models Walkthrough was conducted by Ernst & Young for Wholesale Credit Risk as a refresher.
- Closer monitoring of customers arising from the COVID-19 pandemic was put in place for better management and control of the accounts, particularly for those in the vulnerable sectors such as airline/aviation, tourism/travel agencies, accommodation and consumer traffic-related like retail and wholesale/trading, food and beverage services/restaurants.

Business Credit Risk

- Continuous refinements to the Behavioural Early Warning system triggers.
- Enhancements to Management Information System reporting have enabled more proactive management of the portfolio. This included detailed analysis on application demographics, classification triggers and performance monitoring as well as making use of analytics to establish risk controls.
- Expansion of AmAce usage through enhancements carried out.

Retail Credit Risk

- Comprehensive risk control on higher risk and vulnerable income.
- Enhanced risk and policy control over occupation, CCRIS, industry, financing ratio and risk grade segment for new customer onboarding.
- Provided targeted repayment assistance programmes (payment holiday or reduced installment) for customers affected by COVID-19 pandemic.
- Performed vulnerable segment analyses for sectors impacted by the COVID-19 pandemic (e.g. hotel, restaurants and aviation).
- Enhanced further auto finance and mortgage stress tests with product segmentation by new national/new non-national car models and property major geographical location respectively.

Governance and Provisioning

- Basel II IRB programme – Continued focus on IRB lending assessment and management metrics. Upgraded measurement models, considering for heightened risk and assistance programme mitigation under COVID-19 pandemic environment.
- Made significant progress on the Group's move from the Standardised Approach for Basel capital management to the FIRB approach. The Group is expected to transfer to FIRB in April 2022.

Investment Banking and Markets Risk

- Automated liquidity risk management reporting and enhanced proactive liquidity risk management.
- Assessed market risk and liquidity risk appetite statements supplemented by detailed controls.

Group Operational Risk

- Comprehensive Group-level frameworks, policies and guidelines established to guide the 1st and 2nd Line of Defence functions;
- The Group adopts risk governance framework that splits responsibility for operational risk management across the Three Lines of Defence;
- Continuous refinement of the full suite of operational risk tools implemented Group-wide providing for risk control assessments, key control testing, key risk indicators, incident management data collection and event loss reporting to ensure it is relevant and robust;
- Monitoring tools, standardised metrics and indicators are continuously used to measure and report operational risk performance and framework adherence; and
- Introduced automation for Risk and Control Self-Assessment process for faster turnaround, accurate identification and assessment of risks including the generation of heat map and risk register

Group Technology Risk

- Strengthed the Group's cyber security posture and its ability to protect the Group's information assets, the IT Security and Cyber Risk Strategy with the objectives of combating cyber security, reducing risk and promoting resilience in real time and online services to ensure compliance with BNM's RMiT requirements;
- A cyber-resilience framework was put in place to facilitate the Group's ability to anticipate, withstand, contain and/or promptly recover from cyber-attacks and events that disrupt usual business operations and/or services;
- Progressively tracked, assessed and provided advice to execute an effective security programme to combine maturity-based and risk-based programmes towards proactive cyber security and improved management and mitigation on potential cyber risk exposure; and
- Technology infrastructure and security controls were enhanced as the Group embarked on mobile work arrangements in light of the COVID-19 pandemic.

PRIORITIES FOR FY2022

Group Risk Management will continue to support the Group's business strategies while managing the inherent risks. Priorities for FY2022 include:

- Enhance monitoring and early warning tools for more effective credit management and portfolio asset quality monitoring;
- Strengthen approval limits to commensurate with the nature of products;
- Continue efforts to offer repayment assistance to customers affected by COVID-19;
- Enhance market risk and liquidity risk management system to enable more proactive risk management; and
- Further enhance cyber security controls environment with a focus on domains such as Cyber Incident Response and Crisis Management, Threat Hunting and Intelligence, Data Loss Prevention, Threat and Vulnerability Management and Network Resilience.

GROUP COMPLIANCE

The 4-year enterprise-wide Compliance Culture transformation journey concluded in May 2020. In 2021 the Group embarked on its continuous improvement initiatives.

The transformation programme designed and led by Compliance, had focused on rebuilding a new, stronger and more robust Compliance Culture foundation through the following measures:

- Implementation of a set of Compliance policies and Code of Conduct that are comprehensive and adaptable
- Upskilling the talent pool through a tailored compliance learning and development programme
- Rebuilding detective measures such as implementation of the AML/CFT transactions monitoring and Monitoring and Testing Programmes using new technology and systems
- Reinforcement of the governance structure and coverage
- Commencement of Continuous Improvement and Sustainability Programmes for people, process and technology

Through the above, we continue to strengthen our efforts to embed, within the DNA of our employees, the culture of doing things right and doing the right things.

Our Compliance Risk Management is well incorporated into the broader Group business strategy, communicated and driven through the Talent and Performance Management and Learning and Development Programmes. Our Continuous Improvement and Sustainability Programmes will continue to promote a culture of honesty and integrity, where customers are served applying the highest standards of professionalism, and all applicable laws and regulations are adhered to.

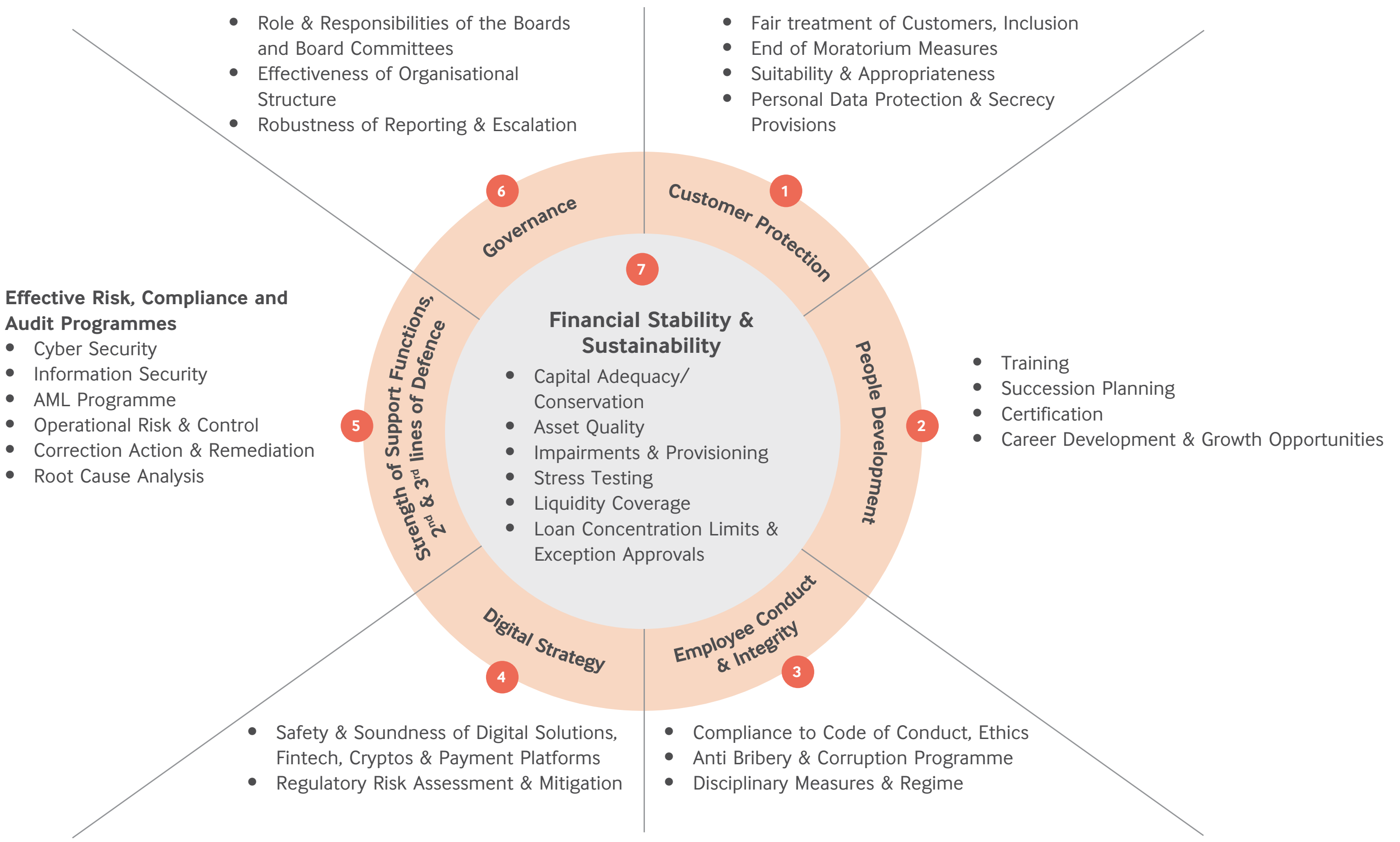
To continue to drive an effective Compliance Framework, the Compliance Department is run by talents with broad experience base from international and local financial institutions.

In 2021, we have continued to build and enhance the Compliance Framework, in order to sustain standards and best practices, keeping abreast of industry and regulatory expectations.

SUMMARY OF GROUP COMPLIANCE'S KEY ACTIVITIES DURING FY2021

These efforts include:

i. Continuing our focus on Regulatory Compliance



ii. Intensifying depth and breadth of Compliance Monitoring and Testing capabilities, through the enhancement of detective measures and testing scope and coverage

iii. Enhancing our regulatory risk assessment methodology

iv. Building synergies between Compliance, Operational Risk and Internal Audit

v. Collaboration with enforcement agencies to act against financial crime, such as the Pubic Private Partnership of the Malaysian Financial Intelligence Network

vi. Embarking on the next phase of embedding Compliance DNA and conduct in the businesses through our Tone from the Top and Compliance Culture initiatives. We have had significant focus this year on anti-bribery and corruption in line with the requirements of Section 17A of the Malaysian Anti-Corruption Commission Act 2009, implementation of Adequate Procedures and the Group's stance on zero tolerance for bribery and corruption

vii. Continue to enhance the skills and capabilities of the in-business control function and Compliance talent pools

viii. Evolving and innovating with the business of the Group as the Group spearheads into launching digital product solutions and banking as a service

PRIORITIES FOR FY2022

- In partnership with the business units to innovate digital solutions and services within regulatory boundaries
- Investment in technology to put in place a KYC system that will facilitate client relationship onboarding, profiling and maintenance
- As part of continuous improvement, to enhance AML transaction monitoring thresholds through tuning and further segmentation
- Digitisation of detection and investigation functions
- Augment the assurance function of the Group through collaboration between Compliance, Operational Risk and Internal Audit, and where possible sharing of resources to leverage on subject matter expertise
- Continued collaboration with enforcement agencies to act against financial crime
- Continuous education and awareness initiatives to embed a culture of adherence and compliance conduct across the Group

AUDIT AND EXAMINATION COMMITTEE REPORT

The Audit and Examination Committee (AEC or the Committee) comprises three members, all of whom are Independent Non-Executive Directors.

Seow Yoo Lin
Chairman

COMPOSITION AND MEETING ATTENDANCE

A total of five meetings of the Company's AEC were held during the FY2021, and details of the meeting attendance are set out below:

	Number of Meetings		
Name of Committee Members	Held During Tenure in Office	Attended	%
Seow Yoo Lin *(Chairman)* *(Independent Non-Executive Director)*	5	5	100
Farina binti Farikhullah Khan *(Independent Non-Executive Director)*	5	5	100
Dato' Kong Sooi Lin *(Independent Non-Executive Director)*	5	5	100

QUALIFICATIONS AND EXPERIENCE OF AEC MEMBERS

Under the Terms of Reference of the AEC, at least one member of the AEC shall have an accounting qualification or experience in the field of finance. The AEC has met this requirement with all its members, being accountants by profession and having wide knowledge and extensive experience in financial management and reporting as well as a broad and diverse spread of commercial experience. Such consideration provides the Board with assurance that the AEC has the appropriate skills, breadth and depth to ensure that it can be fully effective.

GFR *The profiles of Seow Yoo Lin, Farina binti Farikhullah Khan and Dato' Kong Sooi Lin are disclosed on pages 13, 14 and 16 of this GFR 2021.*

ROLES AND RESPONSIBILITIES OF AEC

The Committee's main functions and duties shall include, but are not limited to the following:

- Oversight of matters related to financial reporting and internal controls
- Oversight of matters related to internal and external audit
- Directing and supervising special audits and investigations
- Reviewing and recommending for the Board's approval, related party transactions and conflict of interest situations that may arise within the Company/Group
- Reporting to the Board on audit reports and key issues deliberated at AEC meetings

The AEC's detailed roles and responsibilities are set out in its Terms of Reference, which is available on the Group's corporate website at ambankgroup.com.

During the FY2021, the Group Chief Financial Officer and the Group Chief Internal Auditor (GCIA) as well as their representatives attended all the AEC meetings to present their respective financial and audit reports. The Group CEO and respective CEO of the subsidiaries or their representatives are also permanent invitees at the respective entity's AEC meetings and had attended all meetings held in the FY2021. As and when necessary, the AEC had also requested the attendance of relevant Management personnel at its meetings to brief the AEC on specific issues arising from the financial and audit reports.

The GCIA held private sessions with the AEC Chairman of the respective subsidiaries prior to their AEC meetings to highlight key issues of concern that would be raised during the meetings.

The AEC also held two private sessions in June 2020 and October 2020 with the external auditors, without the presence of Management and the GCIA, to be fully informed of significant matters related to AmBank Group's and Company's audit and financial statements and deliberate on relevant issues, challenge Management's assertions on the Group's and Company's financials and obtain feedback for improvements. In addition, the external auditors also attended AEC meetings to present their audit planning memorandum, memorandum of recommendations, the results of their limited review on half-year financial performance of the Company and three banking subsidiaries and the results of their review on the annual audited financial statements of the Company and the Group. The AEC ensured that there was coordination between internal and external auditors when both were carrying out their audit activities.

Minutes of all the AEC meetings were tabled to the Board for noting. In addition, the AEC Chairman also conveyed matters of significant concern to the Board as and when such matters were highlighted by the external auditors and internal auditors.

SUMMARY OF AEC'S KEY ACTIVITIES DURING FY2021

The AEC, with the assistance of the AECs of the respective entities within the Group, carried out the following activities throughout the FY2021:

Annual Report

- Reviewed and endorsed the Statement of Risk Management and Internal Control for the Board's approval and its inclusion in the Annual Report.
- Reviewed and endorsed the AEC Report for the Board's approval and its inclusion in the Annual Report.

Financial Reporting

- Ensured compliance with salient regulatory requirements set out under the:
  - (a) Companies Act 2016
  - (b) Financial Services Act 2013
  - (c) Islamic Financial Services Act 2013
  - (d) Capital Markets and Services Act 2007
  - (e) Securities Commission Act 1993
  - (f) MMLR of Bursa Securities
  - (g) Malaysian Financial Reporting Standard (MFRS) applicable to the Group
- Reviewed the quarterly unaudited financial results and annual audited financial statements of the Company and the Group to ensure that the financial reporting and disclosure requirements, particularly relating to changes in accounting policies, as well as significant and unusual events or transactions were in compliance with the accounting standards before recommending the financial statements to the Board for approval.
- Reviewed the Group's Basel II Pillar 3 Disclosures, including Internal Audit's compliance review report on the Disclosures, before recommending to the Board for approval.
- Reviewed and deliberated on the high level financial impact analysis on the Group arising from new accounting standards that would significantly impact the Group.
- Reviewed and deliberated on dividend payout before presenting to the Board for consideration.

Internal Audit

- Reviewed the adequacy and effectiveness of the system of internal controls, reporting and risk management to ensure there was a systematic methodology in identifying, assessing and mitigating risk areas.
- Deliberated and approved Group Internal Audit's (GIAD) Annual Audit Plan (AAP) for the FY2021, including its resource needs, to ensure audit emphasis was placed on critical risk areas based on assessments of the risk levels of all the auditable areas.
- Deliberated and approved GIAD's revised approach for the audits of the Retail Banking Regional Offices and Sales & Service Branches in view of the COVID-19 pandemic and the travel restrictions imposed under the various Movement Control Orders throughout the year, and ensuring that the quality of audit was not affected. A 'post implementation review' was also undertaken and deliberated at the AEC.
- Deliberated and approved revisions to GIAD's AAP during the course of the year to ensure it remained relevant, taking into account significant developments, including the impact of the COVID-19 pandemic on the various aspects of the Group's business and operations, as well as requests from regulators and Management.
- Deliberated on GIAD's reports and updates on the measures taken by the Group in managing the COVID-19 pandemic as well as the various assistance programmes extended to the Group's customers affected by the ongoing pandemic.
- Approved a revision to GIAD's organisation structure to establish a dedicated audit team covering Retail Banking and Insurance branches.
- Deliberated on the results of the Quality Assurance Review on GIAD which was performed by the appointed external consultant.
- Deliberated on GIAD's audit reports and recommendations, and Management's responses, including a report issued jointly with the external consultant for the audit conducted on a co-sourced arrangement, and detailed data analytics review reports and directed Management to implement necessary timely remedial actions. Where necessary, separate presentations by Management were requested to provide justifications for significant audit issues raised.

AUDIT AND EXAMINATION COMMITTEE REPORT

- Deliberated on internal investigation reports issued by GIAD and directed Management to take necessary remedial actions and consequence management.
- Deliberated on mandatory review reports issued by GIAD for reviews required by regulators, including ad-hoc requests.
- Deliberated on the status of resolution of previous audit issues and the remedial actions taken by Management, including tracking and monitoring of timeline.
- Reviewed Management's proposals for related party transactions and debts write-off and GIAD's verification reports on the proposals, prior to recommending the proposals to the Board.
- After each AEC meeting, a summary of audit reports and key issues deliberated was tabled to the Board for noting and/or further deliberation.
- Reviewed GIAD's progress in completing its planned assignments on a half-yearly basis.
- Reviewed and assessed the GCIA's performance, KPI and recommended his remuneration package to the Board for approval.
- Reviewed GIAD's update on the progress of the GIAD's FY2021 strategic priorities and action plans.
- Reviewed and noted the letter from Bursa Securities to listed issuers on the key observations and recommendations on the effectiveness of the internal audit functions of listed issuers arising from a thematic review conducted on the internal audit function of selected listed issuers.

External Audit

- Reviewed and discussed the following with the external auditors:
  - (a) The Audit Planning Memorandum, scope of work for the year which included areas of emphasis and new areas, such as changes in laws and regulations, accounting standards, information technology systems, audit timeline and audit and non-audit fees; and
  - (b) The results of the limited reviews and audits, relevant audit reports and memorandum of recommendations (Management letters) as well as Management's responses to the issues highlighted.
- Reviewed and assessed the suitability and independence of external auditors in accordance with BNM's Guidelines on External Auditors, and recommended their re-appointment and annual audit fees to the Board.
- The criteria for appointment and annual assessment of the external auditors' independence and performance was based on the following:
  - (a) The professional conduct of the external auditors;
  - (b) The level of knowledge, capabilities and experience of the external auditors;
  - (c) The quality of previous audit or work done and level of engagement with the AEC and Management;
  - (d) The adequacy of resources, audit coverage, effective planning and conduct of audit, which were assessed to be adequate;
  - (e) The timeliness of service deliverables;
  - (f) The independence, objectivity and professional scepticism of the external auditors;
  - (g) The audit partner must not have served for a continuous period of more than five years; and
  - (h) An audit partner who has been rotated off the audit may resume the role of engagement partner only after a lapse of five years from the last audit engagement.
- Reviewed the written assurance provided by the external auditors in respect of their independence.
- Reviewed and approved the appointment of the external auditors for the provision of non-audit services to the Company and the Group. There is a Group policy for the appointment of the statutory auditor for provision of non-audit services where the criteria and threshold for fees are set out, to ensure the auditors' independence is not impeded. The professionalism, expertise, knowledge and relevant experience of the external auditors, and any potential conflict of interest are also considered prior to the appointment.

Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.
- Reviewed quarterly reports on recurrent related party transactions of a revenue and trading nature.
- Reviewed and deliberated on the draft circular to shareholders on recurrent related party transactions.

Internal Audit Function

- The Group has an in-house internal audit function which is carried out by GIAD and headed by the GCIA, En Shamsul Bahrom Mohamed Ibrahim. En Shamsul has more than 20 years' experience in internal auditing in the financial services industry, and holds various qualifications in accounting and finance, internal auditing, risk, cyber security and Islamic principles, amongst others. Please refer to page 23 for En Shamsul's full profile.
- GIAD is independent from the activities or operations of other operating units within the Group and the GCIA reports directly to the Company's AEC and the AECs of the respective entities within the Group.
- GIAD operates under an audit charter mandated by the AEC (which was updated in the FY2020) giving it unrestricted access to review all activities within the Group. The internal audit function is conducted on a Group-wide basis to ensure consistency in the control environment and the application of policies and procedures.
- GIAD's activities conform with the Institute of Internal Auditors (IIA)'s International Standards for the Professional Practice of Internal Auditing as well as standards and requirements set out by the relevant Regulators on the internal audit function.
- GIAD focuses its efforts in accordance with the AAP approved by the respective AECs, which is prioritised based on a comprehensive risk assessment of all activities undertaken by the Group. This structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure adequate audit coverage at appropriate

audit frequency (e.g. higher risk auditable areas in each business units are audited more frequently). The risk-based audit plan is reviewed periodically, taking into account the changes and developments in the business and its operating environment, including the impact of the ongoing COVID-19 pandemic and Movement Control Orders (MCOs) on the business and operations of the Group and of the customers.

- Apart from the above, GIAD also performs investigations and ad-hoc reviews where there are improper, illegal and dishonest acts, or as and when requested by regulators, Management or the Whistleblower ombudsperson. In addition, GIAD participates actively in major system developments and project committees to advise on risk management and internal control matters.
- The GCIA is also a permanent invitee for most Senior Management Committees, which enables GIAD to keep abreast of all the developments within the Group.
- Overall, the main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls (including IT systems and infrastructure). These audit reviews assess the activities of the following functions:
  (a) Wholesale Banking
  (b) Investment Banking
  (c) Retail Banking
  (d) Business Banking
  (e) Islamic Banking
  (f) Digital Banking
  (g) General Insurance
  (h) Funds and Asset Management
  (i) Group Support Functions
- All GIAD reports are submitted to the AECs of the respective entities for review and deliberation. The AECs review and deliberate on the control lapses and areas for enhancements highlighted by GIAD together with the audit recommendations as well as Management's responses and action plans to rectify these lapses.
- All significant issues deliberated at the respective AECs are also reported to the AEC of the Company, for information.
- In addition, there is an effective process in place to ensure prompt resolution of audit issues by Management. GIAD tables regular updates to the AECs on all significant audit issues until such audit issues are satisfactorily resolved.
- In order to perform its functions effectively, auditors within GIAD are continuously being trained to equip themselves with the requisite knowledge and skills, particularly in areas relating to Islamic banking, credit operations, investment banking, markets, general insurance, data analytics and regulatory matters.
- The total costs incurred to maintain the internal audit function for the FY2021 amounted to RM18.1 million (FY2020: RM19.9 million), comprising mainly personnel cost, rental and accommodation cost. GIAD has a budgeted headcount of 105.

SUMMARY OF GIAD'S KEY ACTIVITIES DURING FY2021

(1) Determined and risk assessed all areas of activities within the Group and established the AAP. The AAP sets out the audit roadmap for the year and key areas of audit focus and emphasis;

(2) Reviewed its audit approach in view of the COVID-19 pandemic and the travel restrictions imposed under the various MCO to ensure the audits continued to be undertaken effectively without any change in the quality of the audits. Continuous efforts were pursued to increase the utilisation of data analytics and enhance the efficiency and effectiveness of audits performed;

(3) Completed various audit assignments as set out in the AAP, which was to provide independent assessment and objective assurance on the adequacy and the effectiveness of risk and management controls over the business operations;

(4) Reports concluding results of the audits conducted along with detailed audit observations, audit recommendations to improve and enhance the existing system of internal controls and work procedures/processes, and Management responses were prepared and issued to the auditees concerned, Senior Management and the respective AECs;

(5) Conducted ad-hoc assignments and special reviews as directed by the AECs, requested by Management or regulators. Results of reviews undertaken were presented to the respective AECs for deliberation;

(6) Conducted compliance reviews mandated by the regulators to assess the level of compliance by the business units. Non-compliances were duly highlighted to Management for prompt rectification;

(7) Conducted investigations and special reviews into activities and matters as directed by the AECs or requested by Management including whistleblower cases. The outcomes from the investigations were presented to the AEC concerned for deliberation;

(8) Tabled value-added reports to the AEC on the various measures taken by the Management to address the risks, concerns and impact arising from the COVID-19 pandemic, including the repayment assistance programmes offered to the Group's customers;

(9) Performed specific data analytics-driven audit reviews on several business units/products to provide an overview of the specified aspects of the business and to highlight exceptional items noted, and recommendations for enhancements;

(10) Monitored, and validated the resolution of previous audit issues and reported on the status of key outstanding audit issues to the Management Committee and to the AEC concerned;

(11) Provided independent and objective reviews on the adequacy and effectiveness of internal controls established to mitigate the risk exposures in the implementation of new projects undertaken by the business;

(12) Reviewed various Business Continuity Management exercises to gauge and assess the readiness of businesses/systems to resume operations within agreed timelines in the event of a disruption or disaster; and

(13) Attended meetings held by Group Information Technology Committee of the Board, Group Management Committee, Group Management Risk Committee and Group Management Governance and Compliance Committee as an invitee to provide independent feedback on the risk management, control and governance aspects.

SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

Messrs Ernst & Young PLT (EY) is the Company's statutory external auditors and the auditor of the Group's consolidated accounts for the preparation of this Annual Report. The external auditors perform independent audits in accordance with the approved standards on auditing in Malaysia, and reports directly to the AEC. The AEC additionally:

(1) Approves all non-audit services;

(2) Regularly reviews the independence of the external auditors;

(3) Evaluates the effectiveness of the external auditors; and

(4) Meets with the statutory external auditors at least twice a year, without the presence of Management.

The AEC engages in regular discussions with the senior audit partner from EY and acts as the key representative for overseeing the Group's relationship with the external auditors. In compliance with the Malaysian Institute of Accountants By-Law (On Professional Ethics, Conduct and Practice), audit partners are rotated every five years to ensure objectivity, independence and integrity of the audit opinions. The AEC undertakes an annual independence assessment of the external auditors and the external auditors would also provide a written assurance to the AEC on their independence.

The current EY's Engagement Partner of the Company, En Ahmad Qadri bin Jahubar Sathik has been heading the audit of the Group for the past two years.

The statutory external auditors are re-appointed by the shareholders of the Company annually, based on the recommendation of the Board.

The statutory external auditors may not provide services that are perceived to be in conflict with its role. These include assisting in the preparation of the financial statements and sub-contracting of operational activities normally undertaken by Management, and engagements where the external auditors may ultimately be required to express an opinion on its own work.

Specifically, the Group's policy:

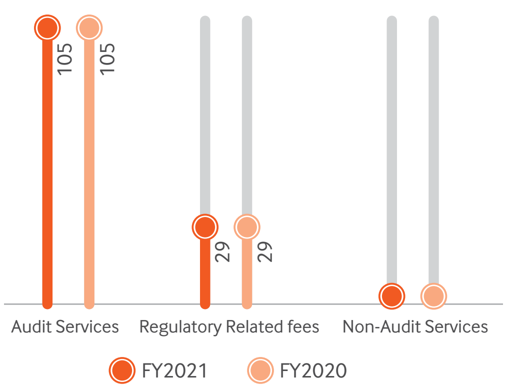
(1) Sets a threshold for fees of non-audit services by the external audit firm; and

(2) Requires permitted non-audit services to be approved by the AEC.

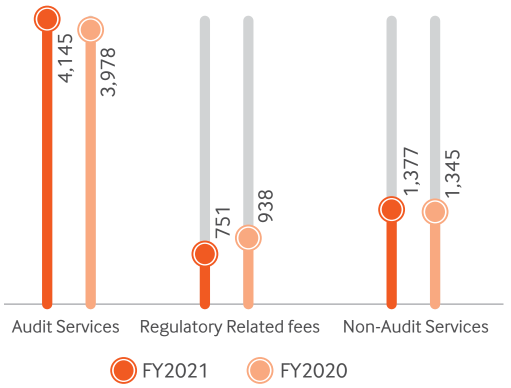
The AEC has reviewed the summary of the non-audit services provided by the external auditors in the FY2021 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

During the financial year, the amount incurred by the Company and by the Group in respect of audit fees and non-audit related fees for services rendered by EY were as follows:

Audit Fees & Non-audit Related Fees by Company (RM'000)



Audit Fees & Non-audit Related Fees by Group (RM'000)



The Group's non-audit services for the FY2021 comprised the following assignments:

(a) Regulatory related fees

Regulatory Related Fees	Group (RM'000)
(i) Half year review	653
(ii) Review of annual submission to BNM	36
(iii) Audit of the Risk-Based Capital Statements	34
(iv) Review of BNM's Insurance Companies Statistical System reporting forms	23
(v) Review of Statement on Risk Management & Internal Control	5

(b) Other fees

Non-Audit Services	Group (RM'000)
(i) Basel Model Validation	1,187
(ii) MFRS 9 Training	190

Overall, the AEC was satisfied with the suitability of EY as external auditors of the Group based on the quality audit services provided and the professional as well as experienced staff assigned to perform the audit for the Group.

GROUP INFORMATION TECHNOLOGY COMMITTEE REPORT

The Group Information Technology Committee (GITC or the Committee) comprises three members, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director. The Committee is responsible for providing governance for Information Technology (IT) and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy.

On 1 July 2021, Mr Robert William Goudswaard was appointed as a member of GITC and Mr Soo Kim Wai had stepped down as a member.

Hong Kean Yong
Chairman

COMPOSITION AND MEETING ATTENDANCE

A total of eight meetings of the GITC were held during the FY2021, and details of the meeting attendance are set out below:

	Number of Meetings		
Name of Committee Members	**Held During Tenure in Office**	**Attended**	**%**
Hong Kean Yong *(Chairman) (Independent Non-Executive Director)*	8	8	100
Soo Kim Wai *(Non-Independent Non-Executive Director)*	8	8	100
Voon Seng Chuan *(Senior Independent Non-Executive Director)*	8	8	100

The profiles of Hong Kean Yong, Soo Kim Wai and Voon Seng Chuan are disclosed on pages 11, 12 and 15 of this GFR 2021.

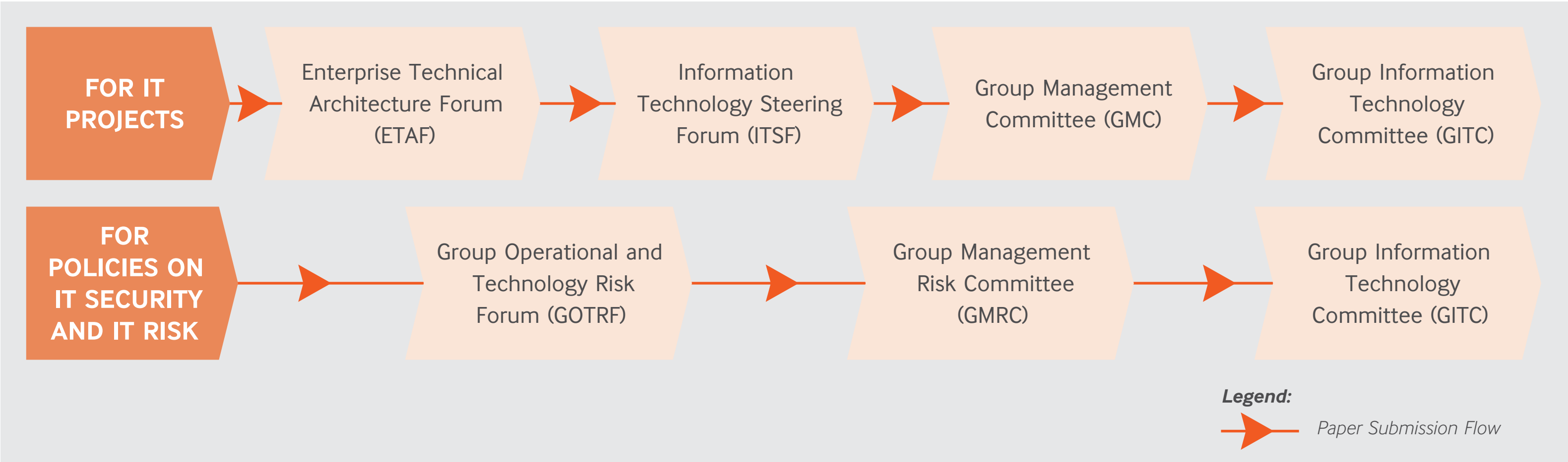
ROLES AND RESPONSIBILITIES OF GITC

The key responsibilities of the Committee include, amongst others, the following functions:

- Provides strategic direction for IT development within the Group & ensuring that IT, digitalisation and technology-related innovation strategic plans are aligned to & integrated with the Group's business objectives and strategy.
- Provides oversight of the Group's long-term IT strategic plans, budgets & implementation.
- Ensures the establishment of Group-wide IT policies, procedures and frameworks, including IT security & IT risk management & e-banking services to ensure the effectiveness of internal control systems & the reliability of the management information systems.
- Establishes key performance indicators & service level agreements in measuring & monitoring the overall performance, efficiency & effectiveness of IT services delivered or received by the Group.
- Reviews IT planning & strategy, including the financial, tactical & strategic benefits of proposed significant information technology-related projects & initiatives.
- Oversees the adequacy & utilisation of the Group's IT resources, including computer hardware, software, personnel who are involved in the development, modification & maintenance of computer programme & related standard procedures.
- Responsible for overall oversight function on IT matters, including ex-ante risk assessments on e-banking services.
- Advises the Board on matters within the scope of GITC, as well as any major IT related issues that merit the attention of the Board.
- Reviews deviations as allowed under BNM guidelines.

GROUP INFORMATION TECHNOLOGY COMMITTEE REPORT

GOVERNANCE PROCESS



MANAGEMENT'S ROLE IN IT GOVERNANCE

Management Committee	Purpose
Group Management Committee (GMC)	The Group Management Committee is a management committee of the Group established to oversee the performance and business affairs of the Group.
Information Technology Steering Forum (ITSF)	The ITSF acts as a working body of the GMC whose primary objective is to vet all projects over RM100,000 capital expenditure (CAPEX) and RM20,000 per annum operating expenditure (OPEX). • Function as the IT spend evaluation forum of the GMC* • Review and recommend approval of the IT projects of the Group to the GMC • Prioritise IT Project requests • Strategic oversight on IT, digital and cybersecurity development within the Group and ensuring that IT, cybersecurity, digitisation and technology-related innovation strategic plans are aligned and integrated with the Group's business objectives and strategy • Approve request for proposal issuance for any IT spend proposals with expected CAPEX of more than RM1.0 million • Review IT solution, project costing, project risk and business benefits • Review alignment to business strategy and Group's IT strategy • Reject/Recommend IT projects for approval • Allocate duly approved budgets to business units • Review project status summaries of ongoing projects periodically • Review post-implementation reviews of completed projects * *Exclude items on computerisation cost*
Enterprise Technical Architecture Forum (ETAF)	• Provide a forum for the endorsement and recommendation on topics related to enterprise-wide IT solutions and architecture; and to provide alignment for planning, directions and delivery for IT operations and project teams. • Establish, own and manage the scope of the Enterprise Architecture Framework (i.e. principles, standards, policies, guidelines and reference models) applicable to IT components under the responsibility of AmBank Group. • Ensure solutions and technology investments are aligned to Enterprise Architecture Principles and feasible to achieve. • Provide assurance of IT designs and components (including IT infrastructure, systems, applications, data and integration) with the Enterprise Architecture Strategy. • Decide on possible exceptions to be granted to request for deviations from the Enterprise Architecture Strategy and act as escalation point on matters related to its mandate. • Set and review Enterprise Architecture Vision. • Agree and support the Reference Architecture for the Group.

Management Committee	Purpose
Group Management Risk Committee (GMRC)	(a) Oversee the formulation of the Group's overall risk management framework and strategies, including policies, processes, systems, capabilities and parameters to identify, assess and manage risks (covering but not limited to credit, market, funding, operational, legal, reputational, regulatory, capital, strategic and Shariah risks) to ensure their relevance and appropriateness to the Group's business. (b) Oversee the formulation of the Group's risk related polices and, where appropriate, recommends to the Board for approval. (c) Review Group-wide risk and the steps taken to monitor and control the Group's major risk exposures. (d) Escalate new, heightened or significant risks to the Risk Management Committee (RMC) and the Board. (e) Oversee the setting of risk appetite/tolerance level as well as strategic Key Risk Indicators (KRIs). (f) Ensure that the Group's business and operational activities are in line with the overall Group's risk appetite, strategy and profile. (g) Deliberate and assess the nature and materiality of potential risk exposures and the impact on capital and the Group's sustainability. (h) Oversee the management of the Group's risk in accordance with a risk-return performance management framework, including embedment of Internal Capital Adequacy Assessment Process in the Group's strategic planning and budgeting process. (i) Ensure the appropriateness of risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment and operational activities. (j) Review and approve stress test scenarios and recommends stress test results to the RMC and Board for approval. (k) Review current level of provisioning in relation to portfolio composition and impairments and assesses for adequacy in accordance with MFRS 139 and 137. (l) Assess the Group's business continuity and crisis management capability.
Group Operational and Technology Risk Forum (GOTRF)	(a) Review and monitor attributes of technology risk, related losses and compliance against the Group's technology risk appetite. (b) Review major trends and modus operandi of cyber-attacks and events in the industry, and the readiness of the Group to anticipate, withstand, contain and/or promptly recover from cyber-attacks and events that disrupt usual business operations and/or services. (c) Review root causes and actions taken in respect of significant technology incidents, exceptions of Key Control Tests (KCTs) as well as major triggers of KRIs. (d) Review and recommend exceptions to relevant Group policies and guidelines involving technology risk and security. (e) Review and recommend exceptions from adherence to regulatory requirements around technology risk management (which includes information security and cyber resiliency). (f) Review and approve security controls on the use of production data in non-production environment(s). (g) Recommend any other pertinent matters, issues and action plans to be escalated to Senior Management Committees such as Group Management Risk Committee.

GROUP INFORMATION TECHNOLOGY COMMITTEE REPORT

Additionally, the Group have appointed a Technology Information Security Officer (TISO) who is placed under the Group Information Technology and Operation Division and Chief Information Security Officer (CISO) who is positioned at Group Risk department. Their respective responsibilities are set out below:

TISO

1. Leads the Technology Information Security function (within the 1st Line of Defence).
2. Leads the Group's Cyber Defence Team (Blue team) focusing on the detection, response and predictive aspects in managing cyber security.
3. Works closely with the CISO and Digital Banking, Group Information Technology and Operations Division (GIOD) to ensure full understanding of the Group's cyber security risks and communicating these to relevant stakeholders.
4. Acts as security advisor in relevant forums and committees such as ETAF, Digital Security Council (DISEC) and project working groups to ensure compliance with cyber security requirements.
5. Represents the Group at various meetings or working committees with the relevant regulators.
6. Participates as a key contributor in the evaluation of new technologies and services being considered by the Group to ensure cyber security requirements are met.
7. Continuously improving the Group's cyber security posture by observing new emerging threats, security best practices, compliance and regulatory requirements.

CISO

- Leads the Group Technology Risk function (within the 2nd Line of Defence).
- Responsible for oversight of an effective cyber security program, aimed towards proactive cyber security and improved management and mitigation of the Group's cyber risk exposure.
- Responsible for the development and oversight of the Group's Technology Risk Framework and Cyber Resilience Policy.
- Works independently from the day-to-day technology and security operations of the Group.

Two teams, namely the Blue Team and the Red Team have also been set up in the Group each with specific focus roles and purpose as described below:

Blue Team

- The Blue Team focuses on detecting and responding to potential cyber threats.
- The Blue Team has five roles:

(1) Strategic & Planning

- Works closely with TISO, CISO and Digital Banking, GIOD to ensure full understanding of security architecture, risk-related issues and mitigating controls at business unit level and communicating these to relevant technology team members.
- Acts as relationship manager to external and internal users and as security advisor in relevant forums such as ETAF, DISEC and project working groups to ensure cyber security requirements are in compliance.
- Involve in development and delivery of security systems.

(2) Security Operations Center (SOC)

- Responsible for the planning and management of 24 X 7 cyber-attacks monitoring.

(3) Vulnerabilities Management

- Plans and executes vulnerability and compliance scans across the Group's IT infrastructure.
- Adapts and evolves vulnerability scanning processes and procedures based on internal customer or regulatory requirements.
- Ensures an active assessment capability with the GIOD to improve the capability and quality of scanning activities.

(4) Threat Hunting

- Plans and manages "hunt missions" using threat intelligence, analysis of anomalous log data and brainstorming sessions to detect and eradicate threat actors in the Group's IT infrastructure.
- Works closely with the SOC team to transform attacker 'Tactics, Techniques and Procedures' (TTPs) into viable, low false-positive behavioural and signature detections using various techniques.

(5) Security Incident and Digital Forensics

- Responsible in managing cyber security incident response and digital forensics in the Group.
- Handles escalated security incidents from SOC.

Red Team

- The Red Team focuses on the following purposes:

(a) Proactively tests and simulates attacks on the Group's security controls.

(b) Strategically assesses and exploits the Group's security controls by launching attacks using various spectrums of adversarial TTPs.

- The objective is to identify potential vulnerabilities posed by in-scope systems and applications, and whether such vulnerabilities can be exploited and materialise into viable threats that pose a risk to the Group.

GROUP INFORMATION TECHNOLOGY COMMITTEE REPORT

SUMMARY OF GITC'S KEY ACTIVITIES DURING FY2021

- Reviewed quarterly updates on IT risk and cyber security
- Monitored the resolutions of regulatory audit action items in relation to IT
- Monitored the progress of the Group's Digital Strategy and IT Strategy
- Reviewed and assessed IT projects, i.e. eKYC, e-FX Initiative & WPD (FinIQ) Upgrade, Murex Upgrade, Enterprise Email & Calendaring, Collaboration & Meeting Tools & Model Execution Platform (MEP)
- Tracked the progress of the Group's cyber security readiness
- Proposed trainings/briefings to Board members of the Group on IT related matters
- Reviewed and assessed renewal of IT licences and systems/solutions
- Deliberated on the impact and benefits derived from projects approved by the Board(s)
- Reviewed progress of the Payment & Data Task Force
- Monitored and tracked IT related gaps against the requirements set out in BNM's Policy Document on Risk Management in Technology (RMiT)

Minutes of all GITC meetings were tabled to the Board for noting. In addition, the GITC Chairman would also apprise the Board on key discussions and matters of significant concern deliberated at the GITC meetings.

IT INITIATIVES TO ENHANCE GOVERNANCE OF THE GROUP

(a) Security Operations Center

Purpose

- The purpose of the enhancement of Security Operations Center (SOC) is to monitor, prevent, detect, investigate, respond to cyber threats as well as incident response and handling around the clock.

Context

- The rise of ransomware and 0-day threats has led to a need for higher security protection at the entry points of the Group. Subscription to an Endpoint Detection and Response (EDR) solution is included in the scope of SOC 2.0. The next generation of security operations centre is aimed at revitalising and transforming SOC with integrated incident response, threat intelligence and automated recovery due to increasing cyber security attacks.
- On 18 July 2019, BNM issued a Policy Document on RMiT requiring all Financial Institutions (FI) to perform a gap analysis of existing practices in managing technology risks against the requirements in the said policy document, as well as highlighting key compliance gaps. The next generation of SOC, i.e. SOC 2.0, is required to meet some of the requirements that are marked as "partially complied" in the gap assessment. The Group have also identified action plans that require SOC 2.0 to be implemented as the underlying tool to further expand the scope per RMiT's requirements in years 2020 and 2021.
- In order to improve the Group's visibility towards cyber security and to comply to regulators' requirement, the Group embarked on SOC 2.0 journey from June-2020 to Feb-2021. These include introduction of new engine for SOC operation known as Security Information and Event Management (SIEM) system, re-mapping threat intelligence landscape and improve security processes.
- The Group continuously position for reliable defence system and process in order to protect itself from cyber threats which evolve from day-to-day.

(b) The Group's continuous journey to assess and achieve BNM's RMiT requirements

Purpose

- The purpose of the RMiT programme of the Group is to continuously assess and accomplish the gaps in IT against the BNM's RMiT requirements.

Context

- The gap assessment on the existing practice in managing technology risks against the requirements in the RMiT issued by BNM on 18 July 2019 have been completed. Majority of standard requirements have been complied.
- The Group's ongoing effort is to continuously revisit and identify any new gaps and accomplish base on the changing trends and threats of the current technology risk.

TECHNOLOGY ACHIEVEMENTS OVERSEEN BY GITC IN FY2021

- Deliver over and above total projects in comparison with FY2020 (20 Projects in FY2020, and 48 projects in FY2021)
- Re-platform AmOnline from BackBase (vendor-based system) to in-house developed system in-house source code
- SME and Retail digital on-boarding: – The first in the country to offer fully contact-less digital on-boarding capabilities for SME
- Achieved Zero Severity One (1) for the first time in the Group
- Maintain the Group's business sustainability with minimum disruption with remote capability and WFH facility for AmBankers to support the new norm in light of the COVID-19 pandemic
- **Ringgit Plus**
  – AmBank Partners With Merchantrade Asia to Introduce First-Of-Its-Kind Hybrid E-Wallet
- **The Edge Markets**
  – AmBank unveils hybrid e-wallet venture with Merchantrade Asia
- **Fintech Malaysia**
  – AmBank Partners Merchantrade for Hybrid e-Wallet with a Combined Capacity of RM50,000
- **New Straits Times**
  – AmBank is Finexus' settlement bank on PayNet
- **Utusan Malaysia**
  – AmBank bank *penyelesaian* Finexus
- **iFNFintech**
  – AmBank introduces APIs to facilitate digital customer on-boarding and online acquisition for Rakuten Trade
- **Bernama**
  – AmBank Introduces Innovative Service on DuitNow Platform to Enable Online Customer On-boarding for Rakuten Trade
- Awards and accolades have been garnered for technology excellence:
  > **Malaysia Technology Excellence Awards 2021**
    – **"Analytics – Banking"** AmBank Group Data Analytics' Uplift to CASA Operating Accounts
  > **Digital Banker: Digital CX Awards 2021**
    – Highly Acclaimed **"Best Digital CX Account Opening & Customer Onboarding"** (AmAccess Biz)
  > **Asset Triple A Awards 2020**
    – **Best Retail Mobile Banking Experience**
  > **Asia Risk Awards 2020**
    – **"Best Cyber Risk Solution"** of the Year for Fraud Management.

SHARIAH COMMITTEE REPORT

INTRODUCTION

AmBank Islamic Berhad ("the Bank") has established a Shariah Committee for the purpose of advising the Bank and the Bank's Board of Directors ("Board") in ensuring that the Bank's businesses, operations, affairs and activities comply with Shariah principles. The establishment of a Shariah Committee was a requirement set by the Islamic Financial Services Act 2013 ("IFSA") and Bank Negara Malaysia ("BNM")'s Policy Document on Shariah Governance ("BNM SG PD").

Assistant Professor Dr. Tajul Aris Ahmad Bustami
Chairman

As an investment bank and part of the AmInvestment Group Berhad, AmInvestment Bank Berhad ("AmInvestment Bank"), leverages on the Shariah Committee of the Bank for advice and guidance on Shariah in relation to Islamic capital markets. AmInvestment Bank may also engage the services of independent external Shariah adviser(s) as approved by the Securities Commission Malaysia ("SC") when necessary.

SHARIAH COMMITTEE MEMBERS

The Shariah Committee comprises six distinguished Shariah scholars, who have the necessary Shariah qualifications required by BNM as well as vast knowledge and experience in Islamic banking and finance. They are also members of the Association of Shariah Advisers in Islamic Finance (ASAS).

The Shariah Committee members are:

No.	Name of Shariah Committee Member	Nationality	Status
1.	Assistant Professor Dr. Tajul Aris Ahmad Bustami	Malaysian	Chairman
2.	Professor Dr. Amir Husin Mohd Nor*	Malaysian	Member
3.	Associate Professor Datin Dr. Noor Naemah Abdul Rahman*	Malaysian	Member
4.	Associate Professor Dr. Adnan Yusoff*	Malaysian	Member
5.	Associate Professor Dr. Asmak Ab Rahman	Malaysian	Member
6.	Associate Professor Dr. Ahmad Zaki Salleh	Malaysian	Member

* Note: Tenure ended 31 March 2021

GFR *The profiles of Shariah Committee Members are disclosed on pages 26 to 27 of this GFR 2021.*

SHARIAH COMMITTEE REPORT

FUNCTIONS AND DUTIES OF THE SHARIAH COMMITTEE

The Shariah Committee is responsible and accountable for all its decisions, views and opinions related to Shariah matters. The main functions and duties of the Shariah Committee shall include, but are not limited to the following:

i. to advise the Board and the Bank on Shariah matters to ensure that the Bank's business, operations, affairs and activities comply with Shariah requirements at all times;

ii. to review and endorse policies and procedures of the Bank 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 documentation in relation to the Bank's products to ensure compliance with Shariah requirements, which include:

   a) terms and conditions contained in the forms, contracts, agreements and other legal documentation used in executing the transactions; and

   b) product manuals, marketing advertisements, sales illustrations, pamphlets and brochures used to describe the products;

iv. to provide a decision, advice or opinion on the Bank'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 Department;

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 parties related to the Bank such as its legal counsel, auditors or consultants on Shariah matters upon request;

viii. to advise the Bank to consult the Shariah Advisory Council of BNM ("SAC of BNM") or the Shariah Advisory Council of SC ("SAC of SC") on any Shariah matters that could not be resolved by the Shariah 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 the Bank:

   a) makes reference to the SAC of BNM or SAC of SC for advice; or

   b) submits an application to BNM or the SC for new product approval;

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

xi. to endorse action plans/rectification measures in addressing SNC events and purification of income methodology, including the channelling of such income to charity; and

xii. to assist in the Bank'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.

SHARIAH OVERSIGHT COMMITTEE

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

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

i. determine whether potential SNC events are SNC;

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

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

iv. recommend possible implementation methods to improve the Bank's Shariah business activities in line with applicable statutes and guidelines/policies/circulars issued by relevant regulatory bodies.

MEETINGS AND ENGAGEMENT WITH THE BOARD

A total of six Shariah Committee meetings were held during the financial year ended 31 March 2021 ("financial year 2021"), which were mainly to discuss and deliberate on product proposals, issues and documentation. The Shariah Oversight Committee also convened eleven times to discuss works carried out by the Shariah Audit, Shariah Review and Shariah Risk Management and any reported potential SNC event(s).

Attendance details of each of the Shariah Committee members at the Shariah Committee and Shariah Oversight Committee meetings are set out below:

Name of Shariah Committee Member	Shariah Committee		Shariah Oversight Committee	
	Held	Attended	Held	Attended
Assistant Professor Dr. Tajul Aris Ahmad Bustami	6	6	11	11
Professor Dr. Amir Husin Mohd Nor	6	6	11	9
Associate Professor Datin Dr. Noor Naemah Abdul Rahman	6	6	11	10
Associate Professor Dr. Adnan Yusoff	6	6	11	11
Associate Professor Dr. Asmak Ab Rahman	6	6	11	10
Associate Professor Dr. Ahmad Zaki Salleh	6	6	11	11

As part of the initiative for the Shariah Committee to have active engagement with the Board, several activities were planned and implemented as follows:

i. one interactive session was held between the Shariah Committee, members of the Group Nomination and Remuneration Committee and the Board;
ii. representative of the Shariah Committee attended two Audit and Examination Committee (AEC) meetings; and
iii. representative of the Board attended one Shariah Committee meeting.

MAIN ACTIVITIES

Throughout the financial year 2021, the Shariah Committee has provided various Shariah advisory services to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the SAC BNM. This includes discussing and deliberating on various Shariah principles and the contracts relating to the products and services proposed by the Bank. The Shariah Committee also reviewed numerous legal documentation and Shariah policies and manuals introduced by the Bank.

The Shariah Committee also provided advice on issues arising from Islamic banking operations, zakat distribution and so on.

The Shariah Committee also noted and reviewed the following and was satisfied that each of the following had been executed effectively during the financial year 2021 in compliance with Shariah:

1. all contracts, transactions and dealings entered into by the Bank and legal documents used by the Bank;
2. the allocation of profit and charging of losses relating to investment accounts;
3. the calculation of zakat; and
4. the overall operations, business, affairs and activities of the Bank save for two SNC events which have occurred and have been or in the process of being rectified with SNC income estimated at approximately RM353,000.

Matters relating to the Shariah review plan, Shariah audit plan, Shariah review reports and Shariah audit reports prepared by the Shariah Review and Group Internal Audit teams respectively and Shariah Risk Management updates by Shariah Risk Management team were discussed and deliberated with the Shariah Oversight Committee.

On matters relating to AmInvestment Bank, the Shariah Committee reviewed a number of Sukuk structures and legal documentation for Sukuk issuance.

PERFORMANCE ASSESSMENT

The Shariah Committee's performance assessment is conducted annually by the Board. The evaluation process focuses on competency, knowledge, contribution and overall effectiveness of the Shariah Committee members.

The assessment also identifies any relevant development areas or any relevant exposure needed by the Shariah Committee members for the Bank to provide.

CONTINUOUS DEVELOPMENT PROGRAMME

As part of the Shariah Committee's continuous development, the Bank registered the Shariah Committee members to undertake a certification programme i.e. Certified Shariah Advisors (CSA) under the Association of Shariah Advisors in Islamic Finance (ASAS). The certification is currently on-going for Level 1 and Level 2.

SHARIAH COMMITTEE REPORT

The Level 1 and Level 2 CSA programme attended by the Shariah Committee members during the financial year 2021 were as follows:

i. 21-22 October 2020 – Legal & Regulatory Framework in Islamic Banking and Finance (Level 1)

ii. 21-22 July 2020 – Introduction to Commercial Law (Level 1)

iii. 25-26 August 2020 – Corporate & Shariah Governance (Level 2)

iv. 22-23 September 2020 – Code of Ethics and Professional Conduct (Level 1)

v. 29-30 September 2020 & 17-18 March 2021 – Takaful (Level 2)

vi. 20-22 October 2020 – Islamic Banking Products & Services (Level 2)

vii. 11-12 November 2020 – Principles of Islamic Financial System (Level 1)

viii. 24-26 November 2020 – Legal Documentation for Islamic Financial & Capital Market Services (Level 2)

ix. 12-14 January 2021 – Islamic Capital Market (Level 2)

x. 23-25 February 2021 – Risk Management (Level 2)

xi. 23-25 March 2021 – Critical Analysis of Contemporary Resolutions in Islamic Finance (Level 2)

Besides the certification programme, the Bank also got the Shariah Committee members to attend and participate in various conferences/seminars and internal briefings/trainings as follows:

i. Anti-Money Laundering Virtual Online Training (Internal), organised by AmBank Group Learning & Development, held virtually on 7 August, 21 September & 5 October 2020 respectively.

ii. 14th Muzakarah Cendekiawan Syariah Nusantara 2020 (MCSN 2020), organised by International Shari'ah Research Academy for Islamic Finance (ISRA), held virtually on 13-14 October 2020.

iii. The AAOIFI 18th Shari'ah Boards Conference, organised by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), held virtually on 25-26 October 2020.

iv. 15th International Shariah Scholars Forum (2020) (ISSF2020), organised by International Shari'ah Research Academy for Islamic Finance (ISRA), held virtually on 10-11 November 2020.

v. Cyber Security Awareness (Internal), organised by AmBank Group Learning & Development, held virtually on 13 November 2020.

vi. 3rd Islamic Fintech Dialogue (IFD2020), organised by International Shari'ah Research Academy for Islamic Finance (ISRA), held virtually on 1-2 December 2020.

vii. Shariah Governance Policy Document (SGPD) Training Programme (Internal), organised by AmBank Group Learning & Development, held virtually on 10 December 2020.

viii. 16th Kuala Lumpur Islamic Finance Forum 2021 (KLIFF 2021), organised by Centre for Research and Training (CERT), held virtually on 9-10 March 2021.

ix. Muzakarah Penasihat Syariah Kewangan Islam Kali Ke-14 (KLIFF 2021), organised by Centre for Research and Training (CERT) held virtually on 11 March 2021.

CONTRIBUTION TOWARDS SUSTENABILITY AND VALUE-BASED INTERMEDIATION (VBI)

Value-Based Intermediation (VBI) is part of AmBank Group's sustainability agenda and the Bank has put in motion several initiatives in its journey to integrate VBI principles into its practices, conducts and offerings. Besides the Bank, the Shariah Committee also involved and participated in programmes and activities in relation to VBI and sustainability as follows:

1. Assist. Prof. Dr. Tajul Aris Ahmad Bustami:
   - As panel speaker for career talk webinar entitled, *"Islamic Finance: Paving Career Pathway for LLB and LLBS Graduates"* organised by Law Students' Society, International Islamic University Malaysia (IIUM) on 16 September 2020

2. Prof. Dr Amir Husin Mohd Nor:
   - Leads community activity to clean up river – Sungai Air Hitam in Bangi.
   - As panel speaker for webinar organised by Ministry of Environment and Water on 18 January 2021. Presented topic on *"Hikmah COVID-19 Dalam Usaha Pelestarian Alam Sekitar"*

3. Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman:
   - As panel speaker for webinar organised by Department of Fiqh & Usul, Academy of Islamic Studies, University of Malaya ("APIUM") on 17-18 November 2020. Presented topic on *"Challenges of Fatwa Institution in the Era of Industrial Resolution 4.0"*

4. Assoc. Prof. Dr. Asmak Abdul Rahman:
   - As panel speaker for webinar organised by Department of Shariah & Economics, Academy of Islamic Studies, University of Malaya ("APIUM") on 16 December 2020, Presented topic on *"The Establishment of National Takaful Waqf Fund in Financing Pandemic"*

The Shariah Committee members also jointly organised two series of webinar with the Bank as follows:

1. Industrial Guest Lecture: *"Shariah Governance in Managing Shariah Non-Compliance Incidents"* held on 19 March 2021 with Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman as panel speaker.
2. Industrial Guest Lecture: *"Development of Shariah Contract in Deposit Taking by Islamic Financial Institution (IFI)"* held on 26 March 2021 with Assoc. Prof. Dr. Asmak Abdul Rahman as panel speaker.

SHARIAH GOVERNANCE

The Bank adopted the BNM SG PD by having three (3) Shariah Control Functions namely Shariah Review, Shariah Risk Management and Shariah Audit. Shariah Risk Management and Shariah Review functions act as the second line of defence whilst the Shariah Audit function which is part of the Group Internal Audit Department, acts as the third line of defence. By having this practice in place, the Bank is able to identify, monitor and mitigate any possible Shariah breaches. Shariah Management Department (including Shariah Legal) acts as Secretariat to the Shariah Committee. The Shariah governance structure of the Bank comprises the following:

i. ***Board of Directors:*** Accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance including the performance assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit & Examination Committee (AEC), Risk Management Committee (RMC) and the Shariah Committee.

ii. ***Audit & Examination Committee (AEC):*** A Board committee that is responsible for assisting the Board in ensuring the Bank's operations are Shariah compliant through the independent assurance from the Shariah Audit function performed by Group Internal Audit Department. The reports from the Shariah Review are also presented to the AEC for information.

iii. ***Risk Management Committee (RMC):*** A Board committee that is responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

iv. ***Shariah Committee:*** Responsible and accountable on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters and endorsing and validating products and services, Shariah policies and the relevant documentation in relation to the Bank'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.

v. ***Shariah Oversight Committee:*** A sub-committee to the Shariah Committee that 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 SNC events as well as treatment of SNC income (if any).

vi. ***Senior Management:*** The Chief Executive Officer ("CEO") and senior officers of the Bank who are responsible to make reference to the Shariah Committee and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Senior Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate any SNC risk.

vii. ***Shariah Management:*** Accountable to the Shariah Committee and is responsible for providing operational support for effective functioning of the Shariah Committee including day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as secretariat to the Shariah Committee and the Shariah Oversight Committee.

Shariah Management consists of four Sections: Shariah Administration; Shariah Supervisory; Shariah Legal and Support. Under Shariah Supervisory Section, there are two units: Shariah Research & Advisory and Shariah Policy & Coordination.

viii. ***Shariah Risk Management:*** Accountable to the Group Risk Management Department and the CEO with Shariah reporting to the Shariah Oversight Committee. The Shariah Risk Management is a function to systematically identifies, measures, monitors and reports Shariah non-compliance risks in the business, operations, affairs and activities of the Bank.

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

1st – The Business Units and Functional Lines;

2nd – Shariah Risk Management and Shariah Review; and

3rd – Shariah Audit.

ix. ***Shariah Review:*** Accountable to the Bank'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 the Bank with Shariah requirements.

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

INVESTOR RELATIONS

Investor Relations is an integral part of AmBank Group's corporate governance initiatives. We have a dedicated Investor Relations team (IR team) to support our Group Chief Executive Officer (GCEO) and Group Chief Financial Officer (GCFO) in their investor engagement efforts which focus on achieving effective two-way communication and fostering meaningful relationships with the investment community while keeping them abreast with the Group's latest news and developments.

Throughout the year, together with the IR team, our GCEO and GCFO have worked tirelessly to build a communications bridge between our Board and the investment community to ensure both sides benefit from meaningful, accurate and timely information.

At AmBank Group, we believe in timely, regular and proactive communication with our shareholders, stakeholders and the wider investment community including investors, fund managers, equity and fixed-income analysts and credit rating agencies.

Our communication with the investment community is governed by our Investor Relations Policy which ensures consistency, clarity, fairness and timeliness of information disseminated. We understand the importance of accurate and timely information to the investment community in making their investment decisions.

We believe that effective shareholders engagement and good investor relations practices are key factors in maintaining investors' confidence as well as helping us improve our strategies and policies, formulate sustainable business practices, reduce share price volatility and promote transparency and accountability.

ANNUAL GENERAL MEETING ('AGM')

In view of the COVID-19 pandemic and the importance of social distancing, the Group conducted its 29th AGM virtually through live streaming on 27 August 2020 at a broadcast venue in the 26th Floor Board Room of Bangunan AmBank Group. A total of 507 shareholders participated at the virtual AGM which represented 647,390,728 ordinary shares, constituting 21.51% of the total issued shares of the Company.

The 29th AGM was chaired by Tan Sri Azman Hashim, the Chairman of AMMB. Dato' Sulaiman Mohd Tahir (Dato' Sulaiman), our GCEO, presented the Group's response to the COVID-19 pandemic, recap and conclusion of our Top 4 strategy and financial highlights of FY2020 to our shareholders. He also shared our FY2021 business outlook and refreshed strategy blueprint: Focus 8.

After the presentation, Dato' Sulaiman also responded to queries from the Minority Shareholder Watch Group (MSWG) and Permodalan Nasional Berhad (PNB). During the "Question and Answer" (Q&A) session of the AGM, our shareholders were invited to post their questions and/or provide their feedback to the Board via an online platform. In line with the advice from the MSWG, the Group had appointed Messrs KPMG Management & Risk Consulting Sdn Bhd to act as the independent moderator for the Q&A session to facilitate constructive discussion between the shareholders, the Board and the Senior Management of the Group.

The AGM provided an avenue for our shareholders to seek clarification and gain insight into the strategies and financial performance of the Group. A team from Messrs. Ernst & Young, our external auditor, was in attendance to assist in responding to shareholders' queries relevant to them.

All resolutions that were proposed at the 29th AGM were duly passed. Questions that were not addressed at the AGM were addressed in a Q&A attached to the minutes of the 29th AGM. The 29th AGM minutes are available on our corporate website.

COMMUNICATION WITH STAKEHOLDERS AND INVESTMENT COMMUNITY

The IR team's key role is to ensure sufficient communication between the Group and its stakeholders and the investment community. The modes of communication used are as set out below:

i) Analyst, Investor Meetings and Media Briefings

Every quarter, after the Group's results are posted on Bursa Securities' website, the IR team will host a results briefing session by our GCEO and GCFO for our stakeholders and the investment community via video conferencing to cater to the wide geographical spread of all relevant parties. When deemed required, we also hold media briefings to update the media and the general public on significant events.

The IR team ensures all briefing materials such as investor presentations, financial statements and media releases are of high quality, disseminated in a timely manner to all relevant parties and made available on the Group's corporate website as soon as practicable.

Details of our analyst briefings and media conferences on our quarterly results announcements are as set out below:

Date	Result Announcement	Mode of Communication				
		Video Conferencing		Publication on IR Website		
		Media Briefing	Analyst Briefing	Investor Presentation	Financial Statements	Media Release
26 August 2020	Q1FY21		√	√	√	√
30 November 2020	H1FY21	√	√	√	√	√
1 March 2021	9MFY21		√	√	√	√
31 May 2021	FY2021		√	√	√	√

The IR team conducts various forms of meetings: one-on-one meetings, group meetings, conferences and analyst briefings. The IR team analyses and monitors the Group's investor profiles regularly including the investment styles and geographical locations to facilitate the planning of the investor relations engagement programme. This proactive approach enables us to reach out to investors more effectively and efficiently.

This enables us to better understand their perspective towards our strategies, business operations, potential opportunities and threats faced as well as strengths and weaknesses. At the same time, we provide them with the updated status of our financial information, business performance, potential corporate strategic initiatives and macroeconomic outlook.

When faced with significant events such as the RM2.83 billion settlement with the Ministry of Finance, private placement and goodwill impairment, the IR team ensured that the investment community is kept informed through analyst briefings and meetings. Separately, the IR team also organised a "thematic" analyst briefing, i.e. "Virtual SME Day" on 1 October 2020 to discuss topics surrounding our SME segment's value proposition.

Below is a summary of meetings held:

	FY2020		FY2021	
	Meetings	Attendees	Meetings	Attendees
One-on-one/Small Group Meetings	38	180	55	521
Analyst Briefings	4	182	4	311
Post results briefings	4	54	2	29
Conferences/Non-deal roadshows/Thematic events	22	28	3	67

ii) **Conferences**

We actively participate in conferences organised by various research houses and equity brokers as an additional strategy to deepen our engagement with existing shareholders as well as to widen our reach to prospective investors.

Conferences that our Management representatives had participated in FY2021 are as set out below:

Date	Virtual Event
6 January 2021	CGS-CIMB 13th Annual Malaysia Virtual Corporate Day
8 January 2021	JP Morgan Virtual ASEAN Financial Day

iii) **Corporate Website**

The IR section under the Group's corporate website ambankgroup.com is constantly updated with corporate governance and investor-related information on the Group such as corporate profile, Board of Directors, annual reports, quarterly financial results, investor presentations, news releases, credit ratings, notices of AGM, etc. as well as our investor relations calendar.

The Bursa Securities website contains the Group's financial results, material press releases, notices of dividends and other ad-hoc announcements as well. Additionally, investors and stakeholders can reach out to the Group's IR team via email at ir@ambankgroup.com should they require further information or assistance on investor-related matters.

CREDIT RATING

The IR team co-ordinates solicited and unsolicited rating reviews by both local and international rating agencies, namely RAM Ratings ("RAM"), Moody's Investors Services ("Moody's") and Standard and Poor's Global Ratings ("S&P").

To ensure the credit rating agencies are well-informed, our GCFO and IR team actively engage with them through regular meetings to provide insightful and timely information, business outlook and strategic initiatives with strong emphasis on capital levels and asset quality.

IR *More on our credit rating can be found on page 69 of the AmBank Group IR 2021.*

SUSTAINABILITY

Investors are increasingly placing more emphasis on sustainable and responsible business practices when evaluating their investment decisions. We recognise that sustainability is about managing risks and opportunities in a way that best balances the long-term viability of the business with the long-term needs of all our stakeholders – our customers, employees, suppliers, investors and community partners – as well as the wider community and the environment at large.

Our sustainability agenda aims to address the matters that we believe are the most material for our business and stakeholders, now and in the future. We also understand that this is an evolving agenda and seek to progressively integrate environmental, social and governance (ESG) considerations into our strategies, activities and portfolio, while also anticipating and shaping the emerging social issues where we have the skills and experience to make a meaningful difference and drive business value.

IR *More on our sustainability practices can be found on pages 127 to 188 of the AmBank Group IR 2021.*

FOREIGN SHAREHOLDING TREND

Foreign Shareholding (excluding ANZ)

	FY2017	FY2018	FY2019	FY2020	FY2021	May 2021
% of Shareholding	26%	23%	26%	24%	19%	17%

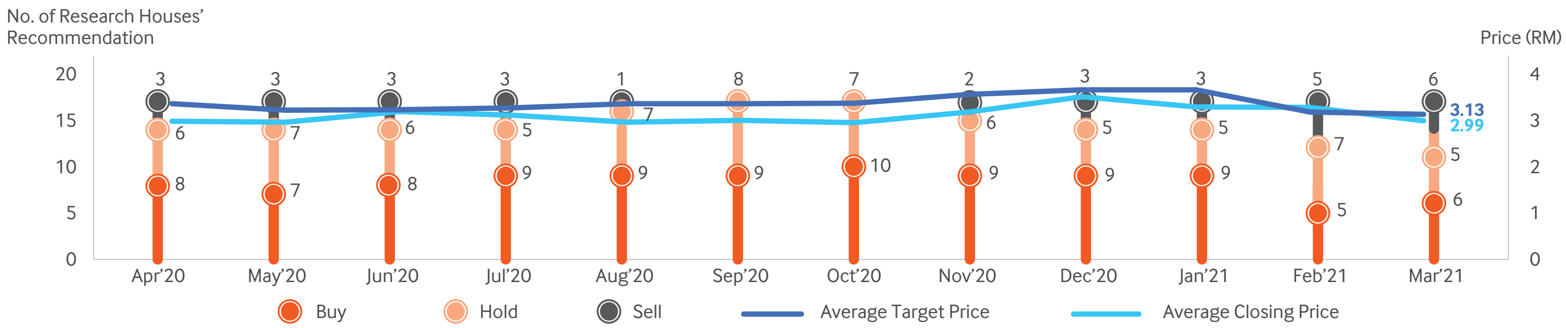
ANALYST COVERAGE

There were a total of 17 research houses covering AMMB stock as at end of FY2021.

Research House
1. Affin Hwang Capital
2. AllianceDBS Research
3. CIMB Investment Bank Berhad
4. Citi Investment Research
5. CLSA Securities Malaysia
6. Hong Leong Investment Bank
7. JP Morgan Securities
8. KAF – Seagroatt & Campbell Securities
9. Kenanga Investment Bank
10. Macquarie Capital Securities
11. Maybank Investment Bank
12. MIDF Amanah Investment Bank
13. Nomura Securities Malaysia
14. Public Investment Bank
15. RHB Research Institute
16. TA Securities
17. UOB Kay Hian

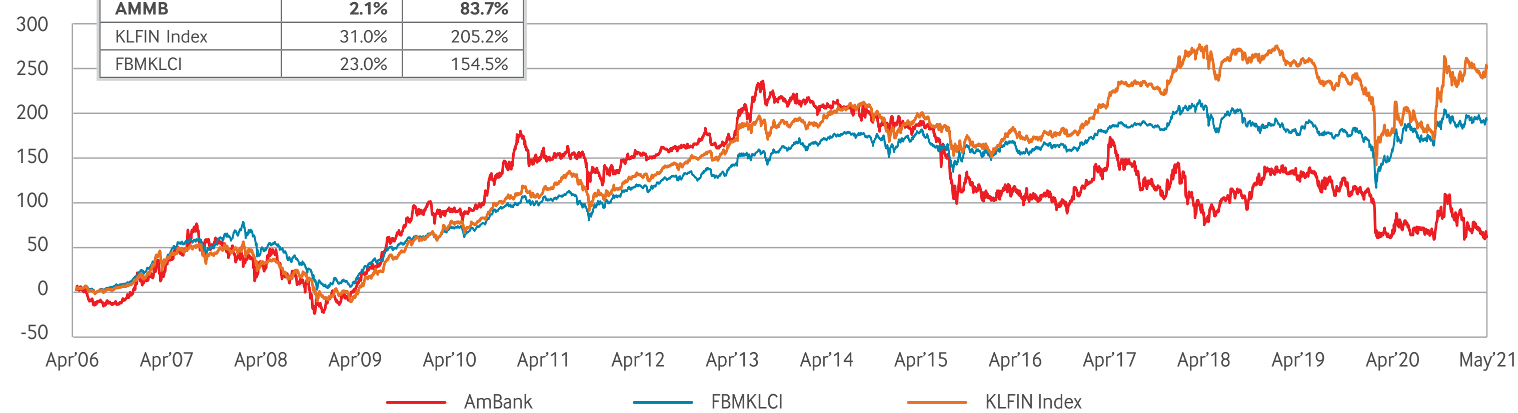
RESEARCH HOUSES' RECOMMENDATIONS AND TARGET PRICE TREND

	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21
No. of Research Houses	17	17	17	17	17	17	17	17	17	17	17	17
Ave.TP/Ave.CP	1.13x	1.09x	1.01x	1.05x	1.13x	1.12x	1.14x	1.12x	1.04x	1.11x	0.97x	1.05x



SHAREHOLDERS' RETURNS (1 APRIL 2006 – 31 MAY 2021)

	1 Year	15 Years
AMMB	**2.1%**	**83.7%**
KLFIN Index	31.0%	205.2%
FBMKLCI	23.0%	154.5%



SHARE PRICE AND VOLUME (1 APRIL 2020 – 31 MAY 2021)

Last Closing Price @ 31 May 2021	RM2.85
Highest Closing Price (April 20 – May 2021)	RM3.71
Lowest Closing Price (April 20 – May 2021)	RM2.80
Average daily volume	4,375,006

ADDITIONAL DISCLOSURES

1. MATERIAL CONTRACTS

There was no material contract (not being a contract entered into in the ordinary course of business) entered into by the Group, which involved directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

2. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During FY2021, the followings issuances were made by the Group:-

(a) RM400.0 million Subordinated Notes (Tranche 7) issued on 30 March 2021 under the RM4.0 billion Tier 2 Subordinated Notes Programme by AmBank (M) Berhad;

(b) RM400.0 million Subordinated Sukuk Murabahah (Tranche 8) issued on 8 December 2020 under the RM3.0 billion Subordinated Sukuk Murabahah Programme by AmBank Islamic Berhad.

(c) RM825.0 million additional equity capital raised on 12 April 2021 via a Private Placement of shares undertaken by AMMB Holdings Berhad.

The proceeds raised have been utilised for working capital and general banking purposes.

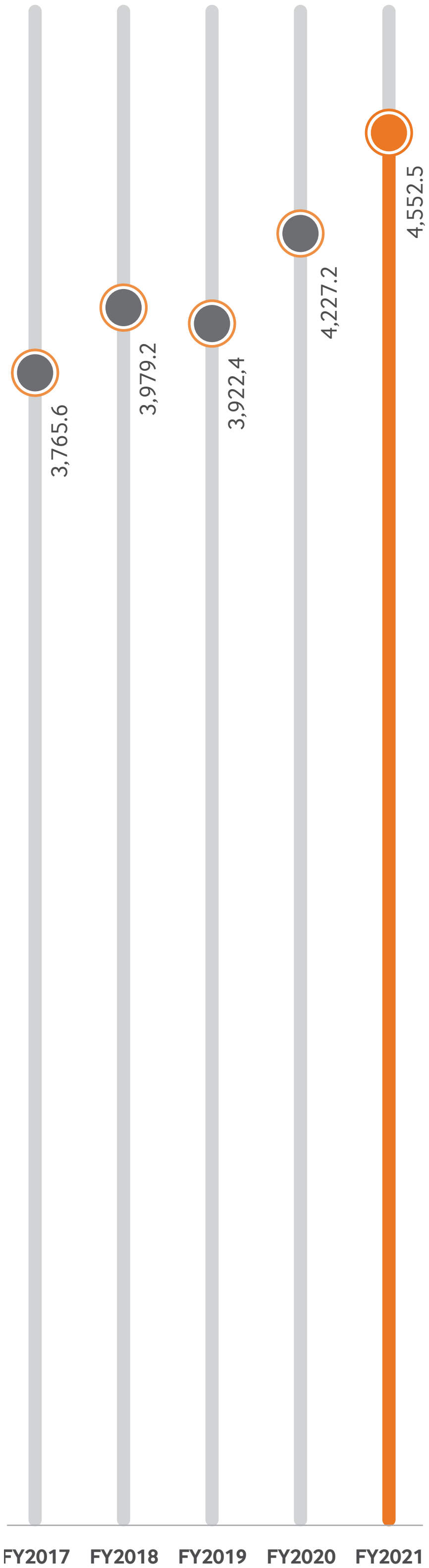
3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to paragraph 10.09(2)(b), Part E, Chapter 10 of the MMLR of Bursa Securities, the details of the recurrent related party transactions conducted with the Related Parties and their subsidiaries and associated companies, where applicable during FY2021 pursuant to the Shareholders' Mandate, are set out in the table below.

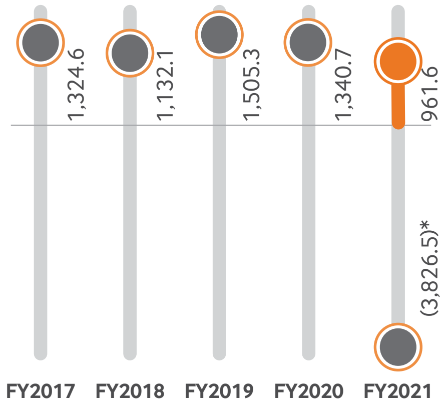
Related Parties	Nature of Transaction	Actual Value (RM'000)	Relationship with the Company
Amcorp Group Berhad	Provision of travelling arrangement	138	Companies in which a Director and major shareholder were deemed to have an interest

GROUP FINANCIAL HIGHLIGHTS

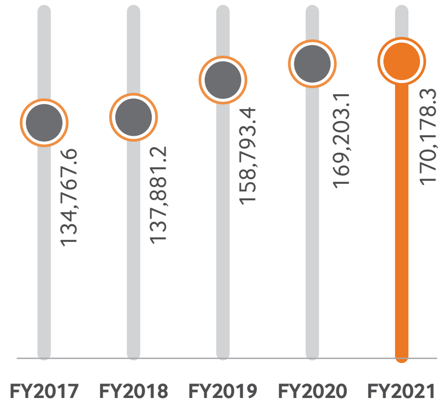
TOTAL REVENUE
(RM Million)



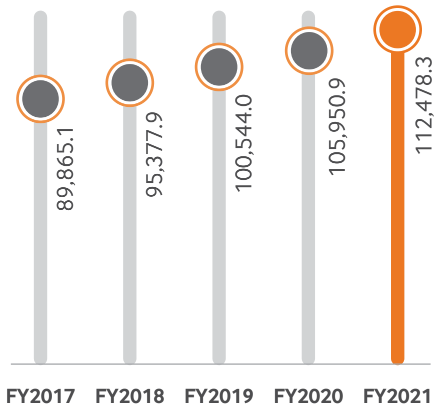
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



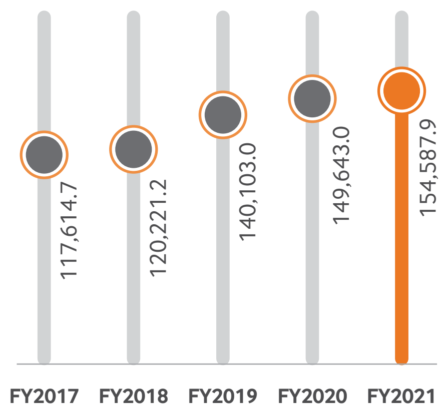
TOTAL ASSETS
(RM Million)



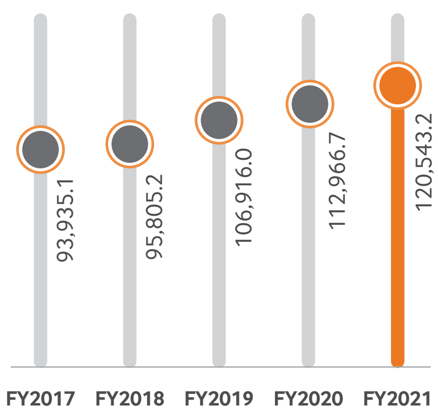
LOANS, ADVANCES AND FINANCING (NET) (RM Million)



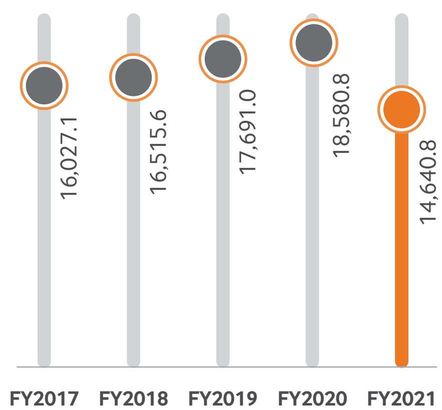
TOTAL LIABILITIES
(RM Million)



DEPOSITS FROM CUSTOMERS
(RM Million)



SHAREHOLDERS' EQUITY
(RM Million)



* *Including one-off exceptional charges of RM4,767.0 million and related legal and professional expenses of RM21.1 million.*

FIVE-YEAR GROUP FINANCIAL SUMMARY

	FINANCIAL YEAR ENDED 31 MARCH				
	2017[1]	2018	2019	2020	2021
1 STATEMENT OF PROFIT OR LOSS (RM MILLION)					
i. Total revenue	3,765.6	3,979.2	3,922.4	4,227.2	4,552.5
ii. Operating profit before impairment losses and settlement	1,605.1	1,558.4	1,791.5	2,119.0	2,420.2
iii. Writeback of/(Allowances for) impairment on loans, advances and financing	173.5	1.1	301.3	(322.6)	(1,116.9)
iv. Impairment of goodwill	(1.3)	–	–	–	(1,789.2)
v. Impairment of investment in associate	–	–	–	–	(147.8)
vi. Settlement	–	–	–	–	(2,830.0)
vii. Profit/(Loss) before taxation and zakat	1,801.2	1,542.7	2,095.4	1,782.9	(3,483.5)
viii. Profit/(Loss) attributable to shareholders	1,324.6	1,132.1	1,505.3	1,340.7	(3,826.5)
2 STATEMENT OF FINANCIAL POSITION (RM MILLION)					
Assets					
i. Total assets[2]	134,767.6	137,881.2	158,793.4	169,203.1	170,178.3
ii. Loans, advances and financing (net)	89,865.1	95,377.9	100,544.0	105,950.9	112,478.3
Liabilities and Shareholders' Equity					
i. Total liabilities[2]	117,614.7	120,221.2	140,103.0	149,643.0	154,587.9
ii. Deposits from customers	93,935.1	95,805.2	106,916.0	112,966.7	120,543.2
iii. Paid-up share capital	5,551.6	5,551.6	5,751.6	5,851.6	5,951.6
iv. Shareholders' equity	16,027.1	16,515.6	17,691.0	18,580.8	14,640.8
Commitments and Contingencies	134,563.3	143,672.5	131,016.8	133,474.7	136,999.7
3 PER SHARE (SEN)					
i. Basic net earnings/(loss)	44.1	37.6	50.0	44.6	(127.2)
ii. Fully diluted net earnings/(loss)	44.0	37.6	50.0	44.6	(127.2)
iii. Net assets	531.7	547.9	586.9	618.0	486.7
iv. Single tier/gross dividend	17.6	15.0	20.0	13.3	–
4 FINANCIAL RATIOS (%)					
i. Post-tax return on average shareholders' equity[3]	8.5	7.0	8.8	7.4	(20.2)
ii. Post-tax return on average total assets	1.1	0.9	1.1	0.9	(2.2)
iii. Loans to deposits[4]	95.3	98.1	91.1	89.8	90.4
vi. Cost-to-income	57.4	60.8	54.3	49.9	46.8
5 SHARE PRICE (RM)					
i. High	4.99	5.62	4.61	4.55	3.71
ii. Low	3.90	3.88	3.45	2.90	2.80
iii. As at 31 March	4.65	3.89	4.56	3.00	2.93

1 *After adjusting for restatement pursuant to clarification provided in Bank Negara Malaysia circular on Classification and Regulatory treatment for structured products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 that have been applied retrospectively for one financial year.*

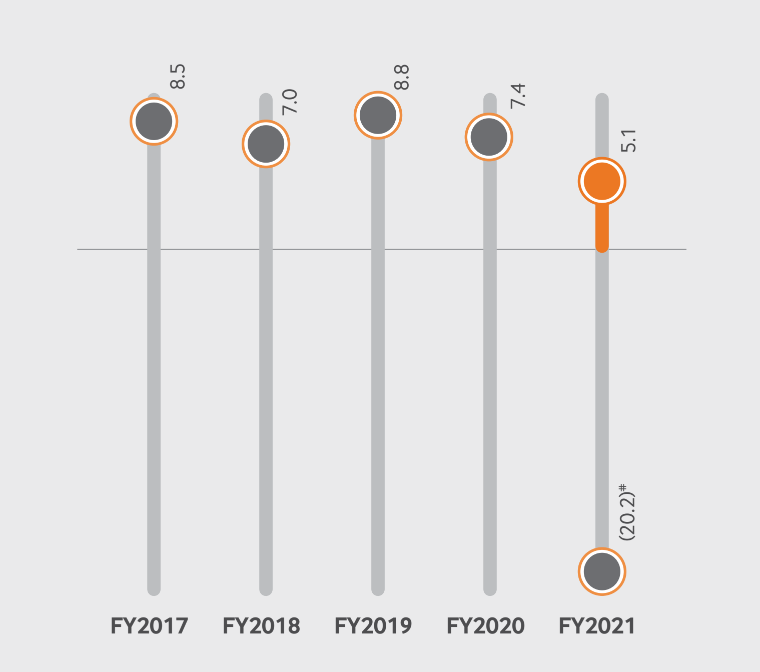
2 *The Group adopted MFRS 16, Leases for the first time since 1 April 2019. In its transition, the Group has elected to apply the simplified transition approach whereby the comparative amounts were not restated with the right-of-use assets in Total assets and lease liabilities in Total liabilities.*

3 *Adjusted for non-controlling interests.*

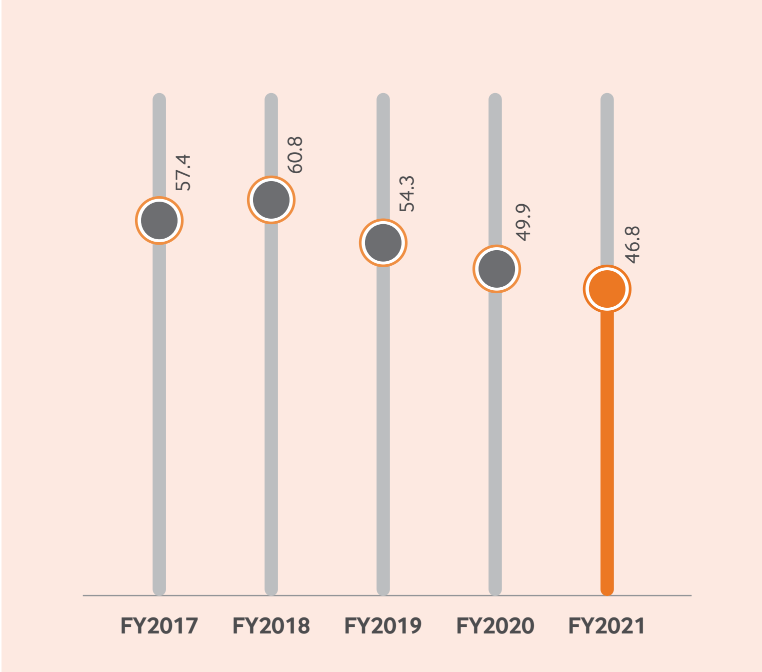
4 *Loans to Deposits is gross loans divided by deposits from customers and financial institutions, excluding interbank borrowings.*

FINANCIAL INDICATORS

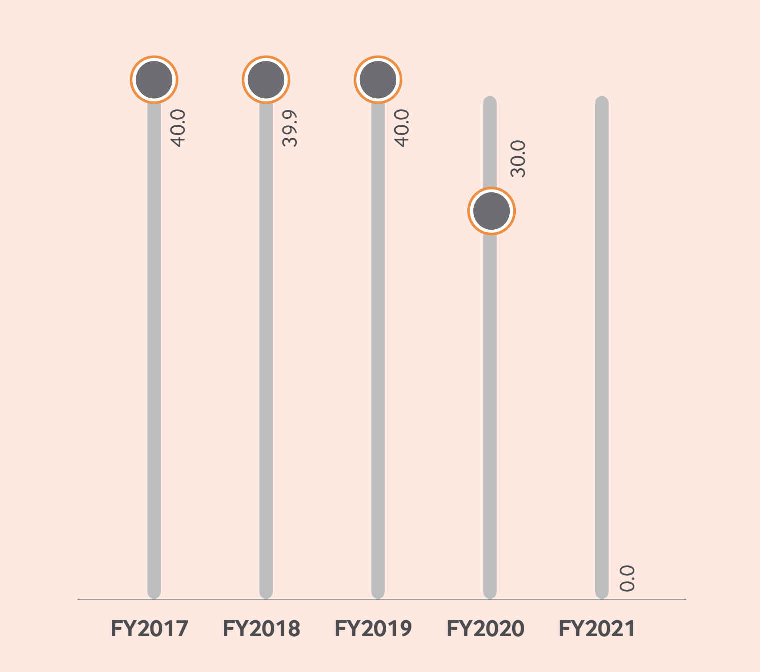
RETURN ON EQUITY (%)



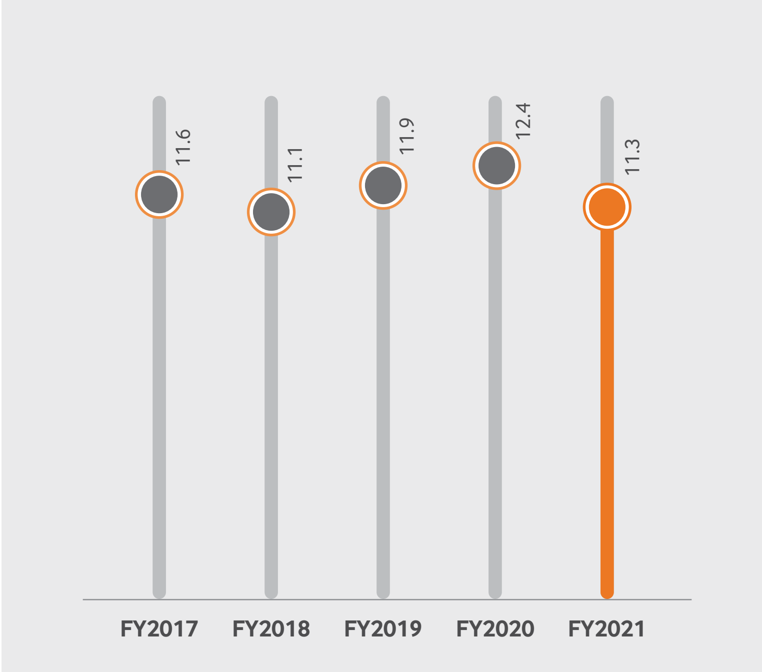
COST-TO-INCOME (%)



DIVIDEND PAYOUT (%)



CET 1* (%)



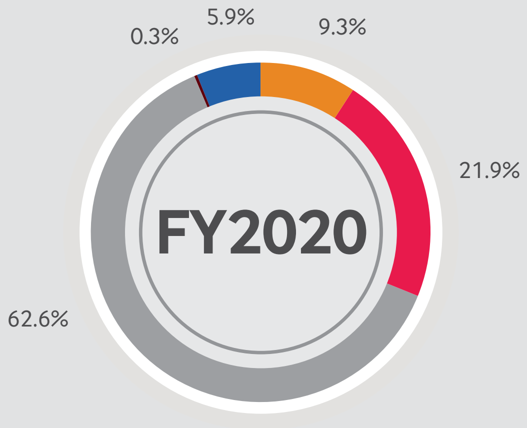
* *Proforma aggregated for FY2017; Financial Holding Company basis (FHC) for FY2018 onwards.*

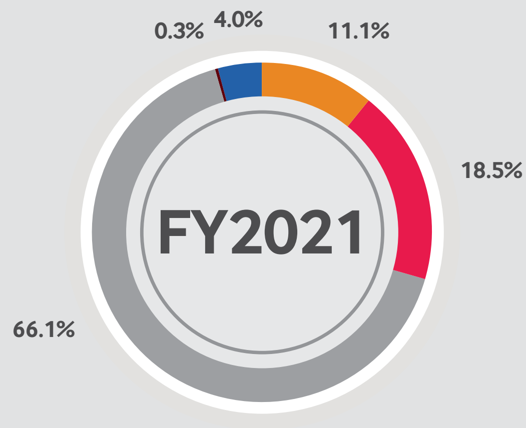
Pursuant to the revised BNM policy documents issued on 9 December 2020, the capital ratios computed as at 31 March 2021 had applied the transitional arrangements on provision for Expected Credit Loss ("ECL"). Under the transitional arrangements, the Group is allowed to add back the amount of loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to CET1 Capital.

\# *Including one-off exceptional charges of RM4,767.0 million and related legal and professional expenses of RM21.1 million.*

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

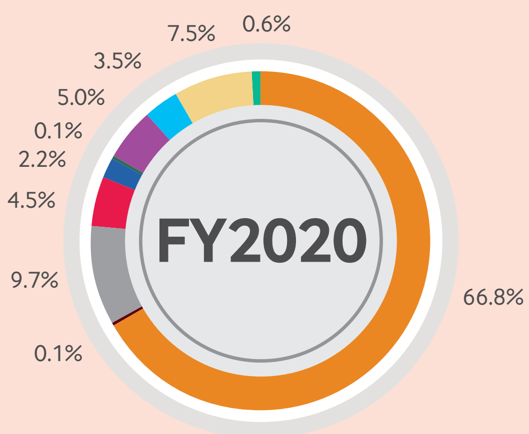
TOTAL ASSETS

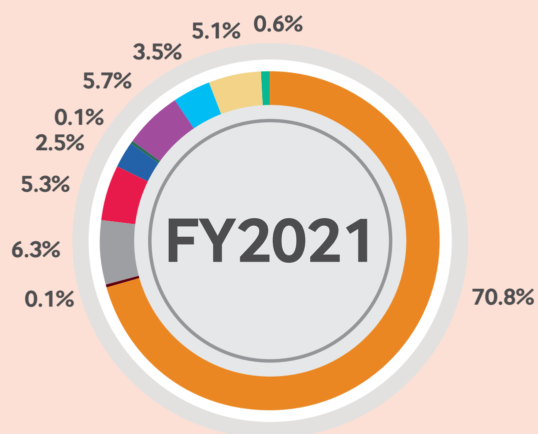




- Cash and short-term funds and deposits and placements with banks and other financial institutions
- Investments in securities
- Loans, advances and financing
- Statutory deposits with BNM
- Other assets

TOTAL LIABILITIES AND EQUITY





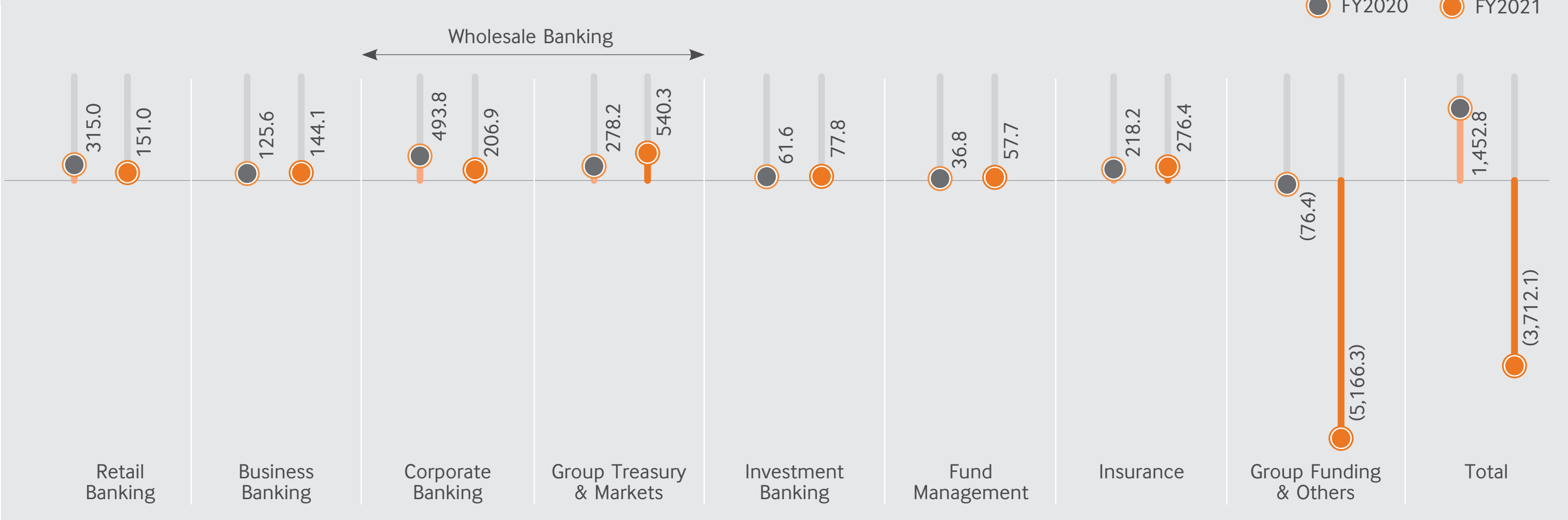
- Deposits from customers
- Investment accounts of customers
- Deposits and placements of banks and other financial institutions and securities sold under repurchase agreements
- Term funding and other borrowed funds
- Debt capital
- Redeemable cumulative convertible preference share
- Other liabilities
- Share capital
- Reserves
- Non-controlling interests

SEGMENTAL ANALYSIS

AmBank Group's businesses are grouped in the following business activities: Retail Banking, Business Banking, Wholesale Banking, Investment Banking, Fund Management, Insurance and Group Funding and Others.

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.

SEGMENT PAT (RM MILLION)



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.

Income increased 9.0% to RM1,597.8 million. Net interest income ("NII") rose 8.6% in line with loans expansion. Non-interest income ("NoII") increased by 11.0%, attributable to higher fee income from wealth, foreign exchange and personal financing products. Expenses were flat Year-on-Year ("YoY"). Net impairment charge was higher at RM533.7 million (FY2020: RM187.1 million), due to higher overlays of RM279.0 million and non-performing loans inflow. Consequently, Profit after tax ("PAT") was down 52.0% to RM151.0 million.

Gross loans increased by 10.0% YoY to RM64.8 billion, mainly from growth in mortgages, personal financing and Retail SME. Customer deposits increased 3.9% YoY to RM47.3 billion, largely from CASA balances which grew 25.3%.

BUSINESS BANKING

Business Banking focuses on the small and medium-sized enterprises segment, which comprises of 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.

Income rose by 6.4% to RM389.9 million. NII increased by 7.0% on the back of strong loans growth but partially offset by margin compression. NoII increased by 4.8%, mainly attributable to higher forex income. Net impairment charge at RM62.7 million, compared to RM57.0 million a year ago. Consequently, PAT increased by 14.7% to RM144.1 million.

Gross loans expanded by 11.9% YoY to RM12.6 billion while customer deposits increased by 14.5% YoY to RM8.2 billion.

WHOLESALE BANKING

Wholesale Banking comprises of Corporate Banking and Group Treasury & Markets. 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. Group Treasury & Markets provides a full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

Income growth of 22.0% YoY to RM1,509.2 million, underpinned by higher NII from increased holding in fixed income securities and higher NoII driven by Markets trading revenues and also from sales of equity derivatives and shares revaluation gain. Expenses fell by 7.0% YoY to RM281.7 million. PAT decreased 3.2% YoY, mainly due to higher impairment.

Gross loans stable at RM35.6 billion while customer deposits were 8.8% higher YoY at RM65.3 billion.

INVESTMENT BANKING AND FUND MANAGEMENT

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).

Fund Management comprises of asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

Overall income grew by 13.3% to RM346.1 million, mainly led by higher fee income from Fund Management, Private Banking and Stockbroking. Operating expenses fell by 3.0% to RM181.1 million. Overall, PAT increased 37.7% YoY to RM135.5 million.

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.

General Insurance income grew 3.6% YoY to RM615.7 million, underpinned by lower claims, partially offset by lower net earned premiums and investment income. Operating expenses increased by 5.5% to RM356.6 million from higher marketing cost. PAT up by 1.9% to RM232.5 million.

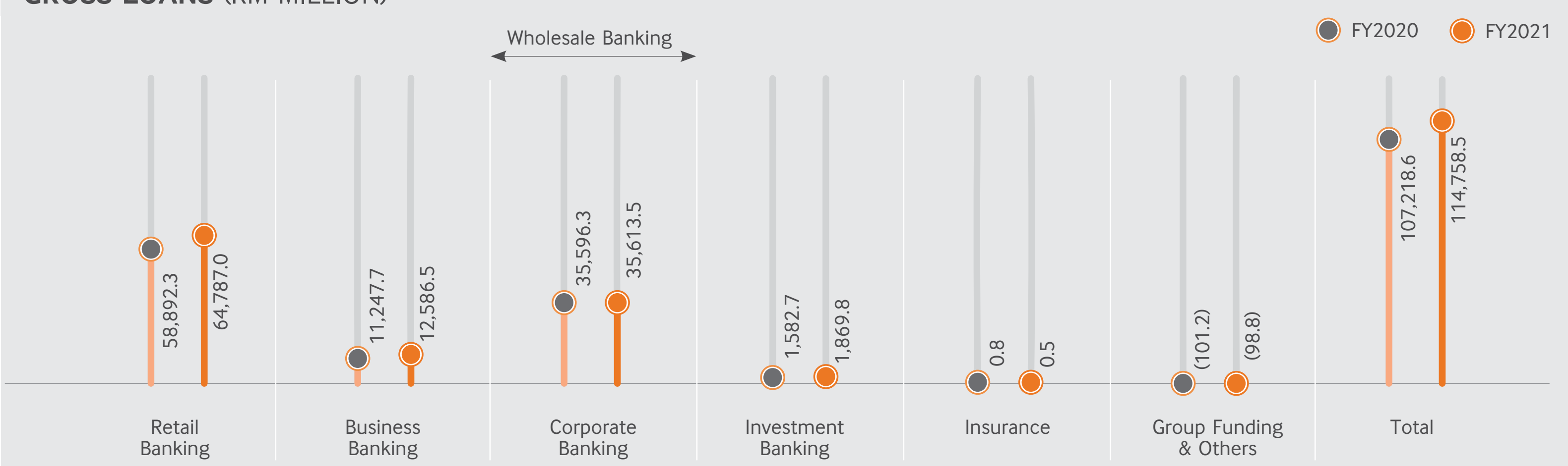
The Life Insurance and Family Takaful businesses recorded a strong improvement in PAT of RM43.9 million compared to a loss of RM9.9 million a year ago, mainly attributable to higher net earned premium, in addition to lower claims and lower reserving. The Group has equity accounted the results of the Life Insurance and Family Takaful business to reflect the Group's effective equity interests in the joint venture.

GROUP FUNDING AND OTHERS

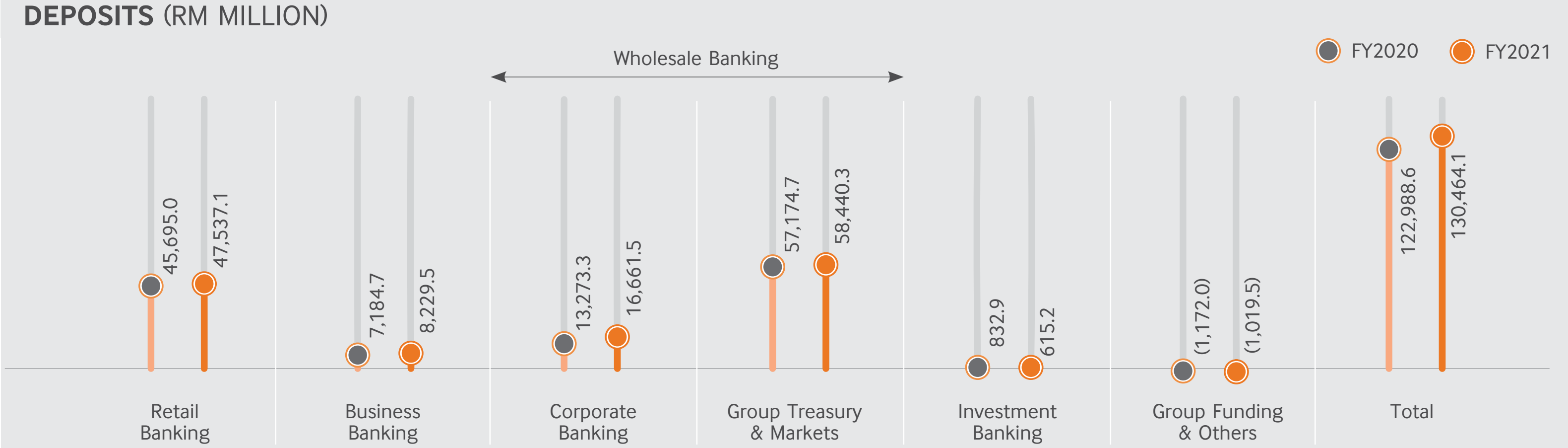
Group Funding and Others comprise of activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

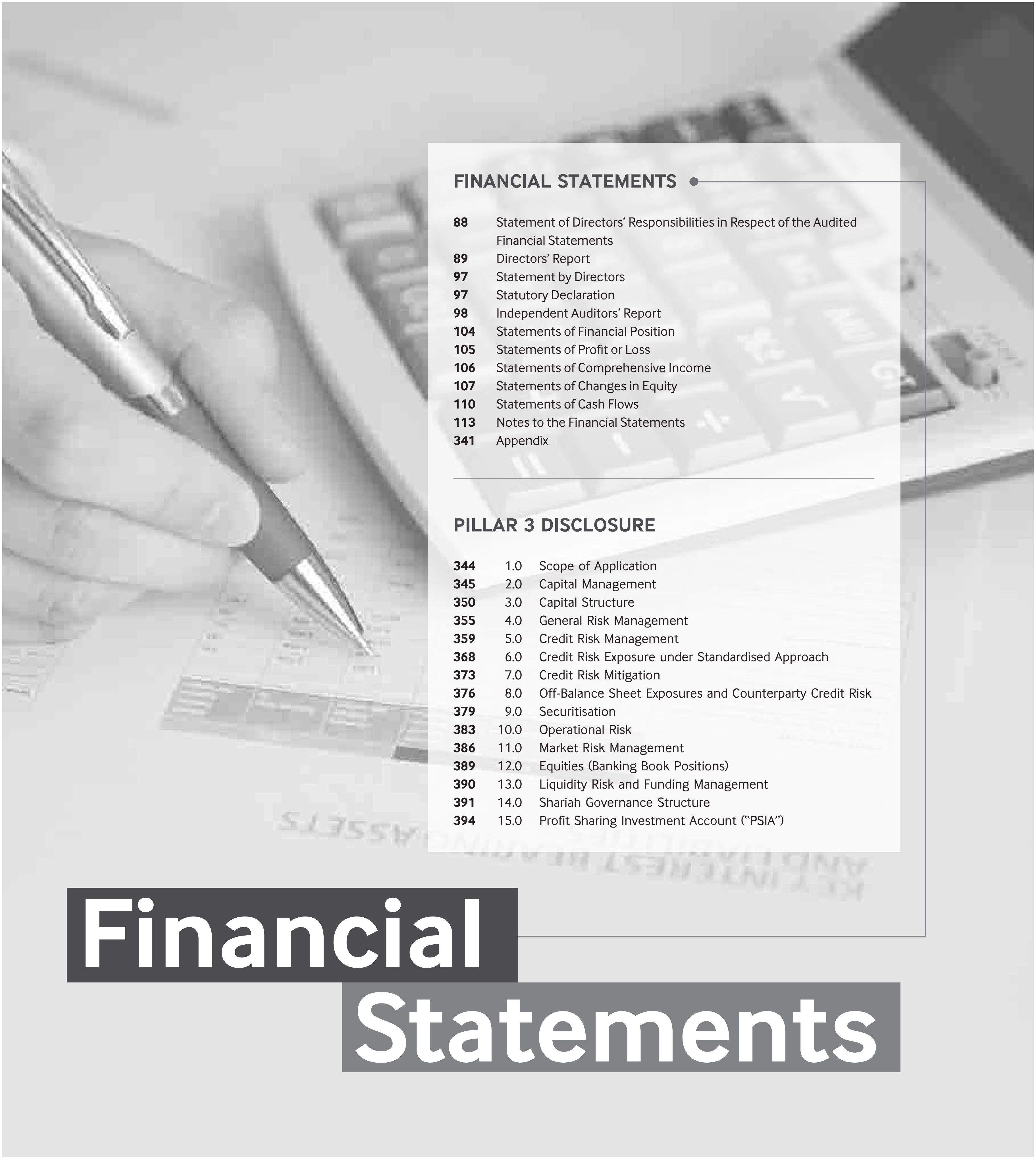
The loss of RM5,166.3 million reflected the exceptional charges from the settlement of RM2.83 billion, goodwill and other impairment of RM1.9 billion and central COVID-19 overlay provisions of RM299.2 million.

GROSS LOANS (RM MILLION)



DEPOSITS (RM MILLION)





FINANCIAL STATEMENTS

PILLAR 3 DISCLOSURE

Financial Statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2021, and of their financial performance and cash flows for the financial year then ended.

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

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

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of AMMB Holdings Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 March 2021.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

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

OUTLOOK FOR NEXT FINANCIAL YEAR

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

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

SIGNIFICANT EVENTS

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

SIGNIFICANT SUBSEQUENT EVENT

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

DIRECTORS' REPORT

BUSINESS PLAN AND STRATEGY

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

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the COVID-19 pandemic, impairment of investment in an associate, impairment of goodwill and settlement with MOF Malaysia as disclosed in Note 17, Note 21, Note 23, Note 29, Note 32 and Note 57 to the financial statements.

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

DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 7.3 sen per share in respect of the financial year ended 31 March 2020 which amounted to RM219,695,761. This amount was noted in the directors' report for that financial year and paid on 30 July 2020 to shareholders whose names appeared in the Record of Depositors on 17 July 2020.

The directors do not propose any dividend for the financial year ended 31 March 2021.

RESERVES, PROVISIONS AND ALLOWANCES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ISSUANCE OF SHARES AND DEBENTURES

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

(i) Issuance of debt securities

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

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

(ii) Redemption of debt securities

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

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

(iii) Issuance of shares

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

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

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

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

DIRECTORS' REPORT

SHARE OPTIONS

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

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM200.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Company and its subsidiaries. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The gross amount of insurance premium paid by the Company for the directors and officers of the Company and its subsidiaries for the current financial year was RM360,000.

EXECUTIVES' SHARE SCHEME

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

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

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

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

SHARE BUY-BACK

During the current financial year, the Company bought back from the open market, a total of 1,507,250 ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM3.04 per share. The total consideration paid for the share buy-back including transaction costs was approximately RM4.6 million and was financed by internally generated funds. None of the shares were resold or cancelled during the current financial year.

DIRECTORS

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

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

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

DIRECTORS' INTERESTS

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

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

INDIRECT INTERESTS

In the Company

	No. of Ordinary Shares			
Shares	Balance at 1.4.2020	Bought	Sold	Balance at 31.3.2021
Tan Sri Azman Hashim *	391,069,003	–	–	391,069,003

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

* *Deemed interest held through Amcorp Group Berhad*

DIRECTORS' BENEFITS

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

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

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

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

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

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

The Board currently comprises nine (9) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

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

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

CORPORATE GOVERNANCE (CONT'D.)

(ii) COMMITTEES OF THE BOARD

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

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

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

(iii) MANAGEMENT INFORMATION

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

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

CREDIT RATINGS

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

Rating agency	Rating Date	Rating classification	Rating Accorded
The Company			
RAM Rating Services Berhad	5 March 2021	Long-term Corporate Credit Rating Short-term Corporate Credit Rating Outlook	AA3 P1 Stable
AmBank (M) Berhad			
Moody's Investors Service	31 March 2021	Long-term Bank Deposits (Foreign) Rating Short-term Bank Deposits (Foreign) Rating Outlook	A3 P-2 Negative
S&P Global Ratings	8 March 2021	Long-term Foreign Currency Rating Short-term Foreign Currency Rating Outlook	BBB+ A-2 Negative
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	5 March 2021	Long-term Financial Institution Rating Short-term Financial Institution Rating Outlook	AA3 P1 Stable

SHARIAH COMMITTEE

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

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

(i) to advise the Board and AmBank Islamic on Shariah matters to ensure that AmBank Islamic's business operations, affairs and activities comply with Shariah requirements at all times;

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

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

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

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

(v) to perform oversight on and assess the strategies, initiatives and work carried out by the Shariah Management Department, in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report. This includes performing the annual assessment of the Head of Shariah Management;

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

   (a) Shariah Review Section;
   (b) Shariah Risk Management Department; and
   (c) Group Internal Audit Department relating to the Shariah Audit function, in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report;

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

SHARIAH COMMITTEE (CONT'D.)

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

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

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

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

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

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

AUDITORS AND AUDITORS' REMUNERATION

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

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

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

TAN SRI AZMAN HASHIM | **SEOW YOO LIN**

Kuala Lumpur, Malaysia
31 May 2021

STATEMENT BY DIRECTORS

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

We, **TAN SRI AZMAN HASHIM** and **SEOW YOO LIN**, being two of the Directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 104 to 343 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2021 and of their financial performance and cash flows for the financial year then ended.

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

TAN SRI AZMAN HASHIM

SEOW YOO LIN

Kuala Lumpur, Malaysia
31 May 2021

STATUTORY DECLARATION

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

I, **LING FOU-TSONG @ JAMIE LING**, being the Officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 104 to 343 are, in my opinion, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed
LING FOU-TSONG @ JAMIE LING at Kuala Lumpur
in Wilayah Persekutuan this 31 May 2021

LING FOU-TSONG @ JAMIE LING

Before me,

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

COMMISSIONER FOR OATHS

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

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AMMB Holdings Berhad, which comprise the statements of financial position as at 31 March 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 343.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss	
As at 31 March 2021, the loans, advances and financing represent 66.1% of the total assets of the Group, and the investments carried at amortised cost and fair value through other comprehensive income represent 12.9% of the total assets of the Group. MFRS 9 *Financial Instruments* ("MFRS 9") requires the Group to account for the impairment loss on loans, advances and financing and investments not carried at fair value through profit or loss with a forward-looking Expected Credit Loss ("ECL") approach.	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording, monitoring, credit model development and validation of loans, advances and financing and the investments. We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 based on their credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group in staging the credit exposures and calculating the ECL.

Key audit matters (cont'd.)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (cont'd.) The measurement of ECL requires the application of significant judgment and increased complexity which includes the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. COVID-19 created new vulnerabilities, unprecedented challenges and future outlook remains highly uncertain. These changes in economic conditions have been reflected in the macroeconomic assumptions used for the ECL models on a reasonable and supportable basis. In addition, as it is difficult at this time to incorporate the specific effects of COVID-19 and government support measures into the ECL models, the Group has applied management overlay adjustments as further detailed in Note 49.2.1i to the financial statements. *Refer to summary of significant accounting policies in Note 2.5(p), significant accounting estimates and judgment in Note 5.1, disclosures of loans, advances and financing and investments in Notes 13, 11 and 12, and disclosures on credit risk in Note 49.2 to the financial statements.*	For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's ECL models, including model inputs, model design, model performance for significant portfolios. We challenged whether historical experience is representative of current circumstances amid the COVID-19 pandemic environment and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios. We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. In assessing the management overlays applied in the ECL amid COVID-19 environment, we performed scenario analysis to cross-check the impacts and challenged reasonableness of the basis applied by the management, particularly for the assets under Stages 1 and 2. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group of exposures with significant deterioration in credit quality or which have been impaired. In response to COVID-19 pandemic, we included borrowers/customers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures. For cases where impairment has been identified, we assessed the Group's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available, including the management overlays applied amid COVID-19 environment. We also assessed whether the disclosures in the financial statements adequately and appropriately reflect the Group's exposure to credit risk. We involved our credit modelling specialists and information technology ("IT") specialists in the performance of these procedures where their specific expertise was required.

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

Key audit matters (cont'd.)

Risk area and rationale	Our response
Impairment of (i) goodwill and (ii) investment in subsidiaries **Goodwill** As at 31 March 2021, goodwill amounts to RM1.02 billion. The Group is required to annually test the carrying amount of goodwill for impairment. The Group has reached an agreement with the Ministry of Finance Malaysia for a full and final settlement of RM2.83 billion in relations to historical transactions with 1 Malaysia Development Berhad and its related entities (the "settlement"). The settlement and COVID-19 pandemic have impacted the Group's performance and future prospects. An impairment charge on goodwill of RM1.8 billion was recognised in respect of the conventional banking and investment banking cash generating units ("CGUs") during the financial year. Goodwill impairment testing of CGUs relies on value-in-use ("VIU") estimates based on estimated future cash flows. This is an area of focus in the preparation of the financial statements due to: (i) the significance of the goodwill recognised in the financial statements of the Group; (ii) the level of subjectivity associated with the assumptions used in estimating the VIU of the CGUs; and (iii) the subjectivity involved in determining the appropriate discount rates to be applied to measure the net present value of each CGU. **Investment in subsidiaries** As at 31 March 2021, the carrying amount of investment in subsidiaries stood at RM10.4 billion. We focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgment and are based on complex assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Notes 2.5(s)(i) and 2.5(b), significant accounting estimates and judgment in Note 5.3 and the disclosure of (i) goodwill and (ii) investment in subsidiaries in Notes 21 and 16 to the financial statements.*	We have considered the impact of the settlement and the COVID-19 pandemic in our impairment assessment of goodwill and investment in subsidiaries. Our audit procedures included, amongst others, reviewing the settlement agreement and related correspondences, evaluating the assumptions and methodologies used by the Group and the Company in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts, taking into account the back-testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data, amid the COVID-19 pandemic environment. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and of the Company's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

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

Key audit matters (cont'd.)

Risk area and rationale	Our response
Valuation of insurance contract liabilities The general insurance contract liabilities amounted to RM2.42 billion or 1.6% of total liabilities in the statement of financial position of the Group as at 31 March 2021. The general insurance contract liabilities have been estimated by the Appointed Actuary of the general insurance subsidiary using appropriate actuarial valuation techniques and applying relevant assumptions and judgment thereon. Due to the significance of the general insurance contract liabilities, and the subjective nature inherent in making actuarial estimates, this is an area of focus in the preparation of the financial statements. *Refer to summary of significant accounting policies in Note 2.5(am), significant accounting estimates and judgment in Note 5.7 and Note 5.8 and the disclosures of the general insurance business and contract liabilities in Note 52 to the financial statements.*	Our audit procedures included testing controls over the approval, recording and monitoring of premiums as well as the claims processes of the general insurance subsidiary. We tested the completeness and sufficiency of data used by the Appointed Actuary to the underlying records. In relation to the valuation methods used, we assessed the appropriateness of the methods used to Bank Negara Malaysia's Risk-based Capital Framework as well as the relevant accounting standards. We independently reviewed and challenged the estimates of insurance contract liabilities of the general insurance subsidiary, focusing on the key assumptions applied in the valuation. Our Actuarial Services specialists were engaged to assist us in performing certain procedures related to the audit of the general insurance contract liabilities. We also assessed the sufficiency of disclosures made in the financial statements in relation to insurance contract liabilities of the Group.
System and IT controls Many financial reporting controls depend on the correct functioning of related elements of operational and financial IT systems, for example interfaces between applications and financial reporting systems or automated controls which are designed to prevent or detect inaccurate or incomplete transfers of financial information. We focus on this area as the Group's financial accounting and reporting systems are heavily dependent on complex and multiple systems. There could be a risk that the automated and related IT dependent manual controls are not designed and operating effectively in the preparation of the financial statements.	In this area our audit procedures included, among others, testing: • general IT controls around system access, change management and data back-ups; and • specific IT application controls over computer operations within specific systems and modules which are required to be operating correctly to mitigate the risk of misstatement in the financial statements. With the support of our own IT specialists, we tested these controls through examining whether changes made to the systems were appropriately approved, assessing whether appropriate restrictions were placed on access to core systems through testing the permissions and responsibilities of those given that access, and determined if financial data were appropriately backed-ups and recoverable. In addition, we also examined the effectiveness of the system automated controls in supporting the business processes. Review such as the completeness and accuracy of application (i.e. configuration checks, interface controls, report testing, transaction simulation, access rights) is performed.

INDEPENDENT AUDITORS' REPORT

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

OTHER MATTERS

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

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

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

Kuala Lumpur, Malaysia
31 May 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2021

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

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

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 March 2021

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

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit for the financial year		(3,712,094)	1,452,833	338,107	817,636
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to statements of profit or loss					
Remeasurement of defined benefit liability	27(b)(ii)	1,213	1,238	–	–
Financial investments at fair value through other comprehensive income ("FVOCI")					
– net unrealised gain on changes in fair value		93,242	69,337	–	–
Tax effect relating to components of other comprehensive income					
– defined benefit liability	15,27(b)(ii)	(291)	(297)	–	–
– financial investments at FVOCI	15	314	40	–	–
		94,478	70,318	–	–
Items that may be reclassified subsequently to statements of profit or loss					
Currency translation (loss)/gain on foreign operations		(13,675)	14,578	–	–
Cash flow hedge					
– gain/(loss) arising during the financial year		5,615	(18,306)	–	–
– reclassification adjustments for gain included in profit or loss		–	(66)	–	–
– amortisation of fair value changes for terminated hedges		9,130	(2,787)	–	–
Financial investments at FVOCI					
– net unrealised gain on changes in fair value		19,166	169,104	–	–
– net gain reclassified to profit or loss		(25,507)	(98,384)	–	–
– changes in expected credit losses	38	(14,392)	47,012	–	–
– foreign exchange differences		(5)	–	–	–
Tax effect relating to the components of other comprehensive (income)/loss					
– cash flow hedge	15	(3,539)	5,078	–	–
– financial investments at FVOCI	15	1,691	(31,414)	–	–
Share of reserve movements in equity accounted joint ventures		(1,030)	(354)	–	–
		(22,546)	84,461	–	–
Other comprehensive income for the financial year, net of tax		71,932	154,779	–	–
Total comprehensive (loss)/income for the financial year		(3,640,162)	1,607,612	338,107	817,636
Total comprehensive (loss)/income for the financial year attributable to:					
Equity holders of the Company		(3,754,986)	1,495,033	338,107	817,636
Non-controlling interests		114,824	112,579	–	–
		(3,640,162)	1,607,612	338,107	817,636

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2021

Group	Note	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedging deficit RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Treasury shares RM'000	Non-participating funds RM'000	RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to Equity Holders of the Company												
			Non-Distributable							Distributable				
										Retained earnings				
At 1 April 2019		5,751,557	450,158	479,970	(12,074)	94,089	5,295	(31,483)	–	45,715	10,907,726	17,690,953	999,499	18,690,452
Profit for the financial year		–	–	–	–	–	–	–	–	–	1,340,715	1,340,715	112,118	1,452,833
Other comprehensive income/(loss), net		–	–	155,341	(16,081)	14,578	–	–	–	–	480	154,318	461	154,779
Total comprehensive income/(loss) for the financial year		–	–	155,341	(16,081)	14,578	–	–	–	–	1,341,195	1,495,033	112,579	1,607,612
Disposal of shares held in trust for ESS		–	–	–	–	–	–	31,483	–	–	(12,385)	19,098	–	19,098
Buy-back of shares		–	–	–	–	–	–	–	(26,916)	–	–	(26,916)	–	(26,916)
Share-based payment under ESS, net		–	–	–	–	–	35,277	–	–	–	–	35,277	–	35,277
Dividend for ESS shares not vested		–	–	–	–	–	–	–	–	–	1,293	1,293	–	1,293
Transfer from regulatory reserve		–	(62,630)	–	–	–	–	–	–	–	62,630	–	–	–
Transfer from retained earnings arising from redemption of preference shares by a subsidiary	16(a)(4)(i)	100,000	–	–	–	–	–	–	–	–	(100,000)	–	–	–
Dividend accrued for ESS shares		–	–	–	–	–	–	–	–	–	(1,001)	(1,001)	–	(1,001)
Return of capital by a subsidiary	16(a)(4)(ii)	–	–	–	–	–	–	–	–	–	–	–	(49,000)	(49,000)
Dividends paid	41	–	–	–	–	–	–	–	–	–	(632,965)	(632,965)	(83,810)	(716,775)
Transactions with owners and other equity movements		100,000	(62,630)	–	–	–	35,277	31,483	(26,916)	–	(682,428)	(605,214)	(132,810)	(738,024)
At 31 March 2020		5,851,557	387,528	635,311	(28,155)	108,667	40,572	–	(26,916)	45,715	11,566,493	18,580,772	979,268	19,560,040

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2021

Group	Note	Attributable to Equity Holders of the Company											
			Non-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)(3)(ii)	100,000	–	–	–	–	–	–	–	(100,000)	–	–	–
Return of capital by a subsidiary	16(a)(3)(v)	–	–	–	–	–	–	–	–	–	–	(49,000)	(49,000)
Dividends paid	41	–	–	–	–	–	–	–	–	(219,696)	(219,696)	(95,510)	(315,206)
Transactions with owners and other equity movements		100,000	(387,528)	–	–	–	27,206	5,946	–	69,367	(185,009)	(144,510)	(329,519)
At 31 March 2021		5,951,557	–	708,790	(16,949)	94,992	67,778	(20,970)	45,715	7,809,864	14,640,777	949,582	15,590,359

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

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

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

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2021

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

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		2,657,150	2,357,425	(14,544)	(19,776)
Decrease/(Increase) in operating assets:					
Deposits and placements with banks and other financial institutions		(9,123)	3,283	–	–
Financial assets at fair value through profit or loss		3,393,602	6,919,750	(26)	(34)
Loans, advances and financing		(8,300,005)	(6,073,320)	–	–
Statutory deposits with Bank Negara Malaysia		63,728	2,666,535	–	–
Other assets		500,104	(721,352)	(1,831,567)	700
Reinsurance assets and other insurance receivables		31,430	76,243	–	–
Increase/(Decrease) in operating liabilities:					
Deposits from customers		7,576,475	6,050,722	–	–
Investment accounts of customers		(113,892)	(144,725)	–	–
Deposits and placements of banks and other financial institutions		74,348	2,334,202	–	–
Securities sold under repurchase agreements		(5,542,538)	1,013,287	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad		2,134,995	481,671	–	–
Term funding		(740,766)	(1,175,575)	–	–
Other liabilities		(896,729)	235,449	2,863,246	49,814
Insurance contract liabilities and other insurance payables		(157)	(214,085)	–	–
Cash generated from operations		828,622	13,809,510	1,017,109	30,704
Taxation and zakat paid, net		(320,745)	(475,776)	(212)	(2,021)
Net cash generated from operating activities		507,877	13,333,734	1,016,897	28,683
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal/(Purchase) of financial investments		2,715,005	(3,431,761)	–	–
Dividend income received from other investments	34	3,689	7,806	–	–
Proceeds from disposal of property and equipment		3,612	438	191	228
Proceeds from disposal of shares by the appointed trustee		–	19,098	–	19,098
Net proceeds from disposal of assets held for sale (properties)		–	8,868	–	–
Purchase of property and equipment	19	(39,707)	(58,436)	–	–
Purchase of intangible assets	21	(92,416)	(87,358)	–	–
Dividend received from subsidiaries	34	–	–	354,260	851,836
Subscription of shares in subsidiary	16(a)(3)(i)	–	–	(780,000)	–
Purchase of treasury shares	29(f)	(4,588)	(26,916)	(4,588)	(26,916)
Dividend received from associate		5,303	7,321	–	–
Net cash generated from/(used in) investing activities		2,590,898	(3,560,940)	(430,137)	844,246

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2021

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

Note a: Cash and Cash Equivalents

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries ("AMMB Group" or "the Group") and the separate financial statements of the Company have been approved and authorised for issue by the Board of Directors on 28 April 2021.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

2.2 Statement of compliance

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

2.3 Presentation of financial statements

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

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

2.4 Basis of consolidation

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

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

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

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

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

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

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

2.5 Summary of significant accounting policies

(a) Business combinations and goodwill

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

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

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

Acquisition-related costs are expensed as incurred.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

(b) Investment in subsidiaries

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

(c) Investment in associates and joint ventures

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

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

(d) Transactions with non-controlling interests

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

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

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

(e) Foreign currencies

(i) Functional and presentation currency

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(e) Foreign currencies (cont'd.)

(ii) Transactions and balances

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

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

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

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

(iii) Foreign subsidiaries and operations

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

(f) Property, plant and equipment

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(g) Leases

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

(i) The Group as a lessee

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

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

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

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

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

(ii) The Group as a lessor

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

(i) Research and development costs

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

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

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

(i) Financial instruments – initial recognition and measurement

(i) Initial recognition

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Initial measurement

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

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

(iii) "Day 1" profit or loss

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

(j) Financial assets – classification and subsequent measurement

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

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

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

(i) Debt instruments

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

Business model

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

Cash flow characteristics

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Debt instruments (cont'd.)

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

Amortised cost

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

FVOCI

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

FVTPL

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

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

(ii) Reclassification of debt investments

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

(iii) Equity instruments

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(k) Financial liabilities – classification and subsequent measurement

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

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

(i) Amortised cost

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

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

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

(ii) FVTPL

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

(l) Derecognition of financial instruments

(i) Derecognition of financial assets

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

– the rights to receive cash flows from the asset have expired; or
– the Group and the Company have transferred rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  – the Group and the Company have transferred substantially all the risks and rewards of the asset; or
  – the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Modification of loans, advances and financing

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

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

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

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

(iii) Derecognition of financial liabilities

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(m) Repurchase and reverse repurchase agreements

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

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

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

(n) Securities lending and borrowing

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

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

(o) Fair value measurement

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 50.

The fair value hierarchies of financial assets, financial liabilities and non-financial assets that are not measured at fair value, but for which fair value is disclosed, are also disclosed in Note 50.

(p) Financial instruments – expected credit losses

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Rescheduled and restructured loans

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

(ii) Collateral valuation

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

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as property valuers, mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 49.2 for further analysis of collateral).

(iii) Collateral repossessed

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

(q) Hedge accounting

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(q) Hedge accounting (cont'd.)

(i) Fair value hedges

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

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

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

(ii) Cash flow hedges

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

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

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

(iii) Hedges of a net investment

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

(r) Offsetting financial instruments

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

(s) Impairment of non-financial assets

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

The following assets have specific characteristics for impairment testing:

(i) Goodwill

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

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

(ii) Intangible assets

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

(t) Cash and cash equivalents

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

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

(u) Assets held for sale

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

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

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

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

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

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

Additional disclosures are provided in Note 54. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Provisions

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

(w) Contingent liabilities and contingent assets

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

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

(x) Financial guarantee contracts and loan commitments

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

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

(y) Recognition of income and expenses

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

(ii) Dividend income

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

(iii) Investment and trading income

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

(B) Recognition of revenue from contracts with customers

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(i) Fee and commission income

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

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

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

Fee income from providing transaction services

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

(ii) Customer loyalty programmes

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

(z) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution pension plan

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(z) Employee benefits (cont'd.)

(iii) Defined benefit plans

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

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

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

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

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

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

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

(iv) Termination benefits

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

(v) Share-based payment transactions

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(aa) Dividends on ordinary shares

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

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

(ab) Taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(ab) Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

(ac) Zakat

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

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

(ad) Earnings Per Share ("EPS")

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

(ae) Segment reporting

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

(af) Share capital and share issuance expenses

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(ah) Fiduciary assets

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

(ai) Insurance product classification

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

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

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

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

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

The Group currently only issues contracts that transfer insurance risk.

(aj) Reinsurance

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(ak) Insurance receivables

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

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

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

(al) General insurance underwriting results

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

(i) Gross premiums

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

(ii) Reinsurance premiums

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

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

(iii) Premium liabilities

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

(iv) Claims liabilities

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

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

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

(v) Acquisition costs

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(am) General insurance contract liabilities

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

These liabilities comprise claims liabilities and premium liabilities.

(i) Claims liabilities

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

(ii) Premium liabilities

Premium liabilities are recorded at the higher of the following:

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

(iii) UPR

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

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

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

(iv) URR

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

(v) Liability adequacy test

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

(an) Government grant

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2021

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of amendments and annual improvements to standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to published standards:

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

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Group and of the Company. The Group and the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to published standards.

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

(a) Amendments to References to the Conceptual Framework in MFRS Standards

The amendments, affecting nine published standards and five published interpretations, were issued as a consequence to the issuance of the revised *Conceptual Framework for Financial Reporting* ("Conceptual Framework"). The references and quotations in these published standards and interpretations to the Conceptual Framework have been updated so as to clarify the version of the Conceptual Framework these published standards and interpretations refer to. The adoption of these amendments did not result in any impact to the financial statements of the Group and the Company.

(b) Definition of a Business (Amendments to MFRS 3)

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present. The adoption of these amendments did not result in any impact as there was no business combination or asset acquisition that occurred during the current financial year.

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

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgements. The adoption of these amendments did not result in any impact to the financial statements of the Group and the Company.

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

The amendments, issued to address the pre-replacement issues arising from the interest rate benchmark reform recommendations by Financial Stability Board, provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform until the uncertainty arising from this reform is no longer present.

The relief provided by the amendments requires the Group to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Group now assumes that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform in its hedge effectiveness assessments.

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

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

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

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

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

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

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

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

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

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

3.2 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
– Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)	1 January 2022
– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137)	1 January 2022
– Reference to the Conceptual Framework (Amendments to MFRS 3)	1 January 2022
– Annual Improvements to MFRS Standards 2018-2020	1 January 2022
– MFRS 17 *Insurance Contracts*	1 January 2023
– Amendments to MFRS 17	1 January 2023
– Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)	1 January 2023
– Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
– Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

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

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

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

(i) Amendments to published standards effective for financial year ending 31 March 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reference to the Conceptual Framework (Amendments to MFRS 3)

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

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

Annual Improvements to MFRS Standards 2018-2020

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

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

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

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

(2) MFRS 9 *Financial Instruments*

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

(3) MFRS 16 *Leases*

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

(4) MFRS 141 *Agriculture*

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

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

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

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

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17

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

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

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

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

MFRS 17 is effective for reporting periods beginning on or after 1 January 2023. Early application is permitted, provided MFRS 9 is also applied. A full retrospective application is required; an entity is permitted to choose between a modified retrospective approach and the fair value approach if full retrospective application is impracticable.

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

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

The amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Classification is unaffected by the expectations or intentions of the entity, as well as events after the reporting date. The amendments are applied retrospectively from annual reporting period beginning on or after 1 January 2023. Early adoption is permitted. The amendments are not expected to result in any impact as the Group and the Company present all assets and liabilities in the statements of financial position in order of liquidity.

Disclosure of Accounting Policies (Amendments to MFRS 101)

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

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

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

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

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

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

Definition of Accounting Estimates (Amendments to MFRS 108)

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

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

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

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

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

The amendments clarify that:

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

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

5.1 Measurement of ECL allowances (Notes 6, 8, 11, 12, 13, 18, 27, 37, 38 and 52)

The measurement of the ECL allowances for loans, advances and financing, financial investments measured at amortised cost and FVOCI and loan commitments and financial guarantee contracts requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 49.2 (Credit Risk Management).

Components of ECL models that involve significant judgement includes:

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

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

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

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

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

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

5.3 Impairment of goodwill (Note 21)

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

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

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

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

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

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

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

5.6 Development costs (Note 21)

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

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

5.7 General insurance business – valuation of general insurance contract liabilities (Note 52(VI))

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

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

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

5.8 Uncertainty in accounting estimates for general insurance business (Note 52 (VII))

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

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

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

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

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

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

5.9 Pipeline premium

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

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

5.10 Defined benefits plan (Note 27)

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

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

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

6. CASH AND SHORT-TERM FUNDS

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

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

Movements in allowances for ECL are as follows:

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

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

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

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

Movements in allowances for ECL are as follows:

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

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

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

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

Purpose of engaging in financial derivatives

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

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

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

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

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

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

The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 49.

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

(i) Fair value hedge

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

Profit rate risk

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

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

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

(ii) Cash flow hedge

Interest rate risk

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest bearing assets and incurring liabilities. This hedging strategy is applied towards treasury fixed deposits and short-term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early repayment for loans and withdrawal for deposits. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as a "macro" or "portfolio" hedge) to hedge the exposure profile by closing and entering into new swap agreements at each month-end.The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity in the cash flow hedge reserve and are transferred to profit or loss when the forecast cash flows affect the profit or loss. The effectiveness of this hedge is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

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

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur which is anticipated to take place within 1 year (2020: 2 years). All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. No ineffectiveness recognised in profit or loss during the financial year in respect of cash flow hedges (2020: gain of RM66,000) for the Group.

In the previous financial year, the Group had discontinued its cash flow hedges on its variable rate short-term treasury deposits and fixed deposits portfolio using interest rate swaps with a total notional value of RM1.4 billion. Hence, the total unamortised fair value balances in the cash flow hedging reserve are to be amortised to the profit or loss over the remaining life of the hedge instruments. Total fair value loss amortised during the current financial year was RM9,130,000 (2020: fair value gain of RM2,787,000).

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

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

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

Group	Maturity				
	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 1 year RM'000	> 1 year to 5 years RM'000	More than 5 years RM'000
2021					
Fair value hedge					
– Profit rate risk					
Profit rate swap					
Notional	–	–	–	–	350,000
Average floating profit rate	–	–	–	–	3.00%
Cash flow hedge					
– Interest rate risk					
Interest rate swap					
Notional	–	–	115,000	–	–
Average fixed interest rate	–	–	4.02%	–	–

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

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

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

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

Group	Notional RM'000	Carrying amount of		Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
		Derivative Financial Assets RM'000	Derivative Financial Liabilities RM'000	
2021				
Fair value hedge				
Profit rate risk				
– Profit rate swaps	350,000	–	(20,334)	6,354
Cash flow hedge				
Interest rate risk				
– Interest rate swaps	115,000	–	(1,654)	5,615

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

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

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

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

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

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

Group	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000	Cash flow hedge reserve	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			Continuing hedge RM'000	Discontinued hedge RM'000
2021								
Fair value hedge								
Profit rate risk								
– Unquoted sukuk	366,293	–	20,445	–	Financial investments at FVOCI	(6,177)	–	–
Cash flow hedge								
Interest rate risk								
– Deposits	–	(115,000)	–	–	Deposits from customers	(5,615)	(1,654)	–

Group	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000	Cash flow hedge reserve	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			Continuing hedge RM'000	Discontinued hedge RM'000
2020								
Fair value hedge								
Profit rate risk								
– Unquoted sukuk	363,661	–	26,622	–	Financial investments at FVOCI	14,479	–	–
Cash flow hedge								
Interest rate risk								
– Housing loans	–	–	–	–	Loans, advances and financing	–	–	5,769
– Deposits	–	(715,000)	–	–	Deposits from customers	(20,001)	(7,269)	(35,548)

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

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

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

Group	(Loss)/Gain recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Statement of profit or loss/other comprehensive income line item that includes hedge ineffectiveness	Amount reclassified from reserves to profit or loss as		
				Hedged cash flows will no longer occur RM'000	Hedged item affecting profit or loss RM'000	Profit or loss line item that includes reclassified amount RM'000
2021						
Fair value hedge						
Profit rate risk						
– Unquoted sukuk	(6,177)	177	Other operating income	–	–	–
Cash flow hedges						
Interest rate risk						
– Deposits	5,615	–	Other operating income	–	–	–

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

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

Movements in allowances for ECL are as follows:

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

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

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

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

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

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

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

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

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

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

12. FINANCIAL INVESTMENTS AT AMORTISED COST

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

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

Movements in allowances for ECL are as follows:

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

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

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

13. LOANS, ADVANCES AND FINANCING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020					
Balance at beginning of the financial year		275,818	622,411	402,312	1,300,541
Net allowances for/(writeback of) ECL	37	7,354	(82,982)	742,040	666,412
– Transfer to 12-month ECL (Stage 1)		11,911	(133,978)	(5,119)	(127,186)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(20,433)	206,235	(25,924)	159,878
– Transfer to Lifetime ECL credit impaired (Stage 3)		(3,502)	(27,987)	159,124	127,635
New financial assets originated		72,796	56,706	13,572	143,074
Net remeasurement of allowances		(29,892)	(165,109)	699,181	504,180
Modification of contractual cash flows of financial assets		(3,741)	(180)	198	(3,723)
Financial assets derecognised		(67,416)	(77,194)	(98,224)	(242,834)
Changes in model assumptions and methodologies		47,631	58,525	(768)	105,388
Foreign exchange differences		262	204	869	1,335
Amount written off		–	–	(700,608)	(700,608)
Balance at end of the financial year		283,434	539,633	444,613	1,267,680

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

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

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021					
Balance at beginning of the financial year		283,434	539,633	444,613	1,267,680
Net allowances for ECL	37	150,186	772,586	545,778	1,468,550
– Transfer to 12-month ECL (Stage 1)		13,103	(74,841)	(2,407)	(64,145)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(32,749)	231,499	(19,028)	179,722
– Transfer to Lifetime ECL credit impaired (Stage 3)		(1,464)	(23,871)	202,720	177,385
New financial assets originated		65,080	171,250	11,381	247,711
Net remeasurement of allowances		44,322	181,040	458,735	684,097
Modification of contractual cash flows of financial assets		412	2,763	(4,425)	(1,250)
Financial assets derecognised		(39,672)	(57,680)	(100,862)	(198,214)
Changes in model assumptions and methodologies		101,154	342,426	(336)	443,244
Foreign exchange differences		(185)	(96)	(1,291)	(1,572)
Amount written off		–	–	(454,469)	(454,469)
Balance at end of the financial year		433,435	1,312,123	534,631	2,280,189

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

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

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

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

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities. The Statutory Reserve Requirement ("SRR") rate for banking industries is 2.0% of eligible liabilities.

15. DEFERRED TAX ASSETS/(LIABILITIES)

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

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

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

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

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

Deferred tax assets

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
2021				
Cash flow hedge reserve	8,891	–	(3,539)	5,352
Provision for commitments and contingencies	5,143	(4,284)	–	859
Provision for expenses	105,468	(9,608)	–	95,860
Allowances for ECL on:				
– financial assets	11,403	129,962	–	141,365
– commitments and contingencies	948	27	–	975
Other temporary differences	28,595	31,904	–	60,499
	160,448	148,001	(3,539)	304,910

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

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

Deferred tax assets (cont'd.)

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

Deferred tax liabilities

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
2021				
Excess of capital allowance over depreciation and amortisation	27,731	12,957	–	40,688
Deferred charges	40,254	5,981	–	46,235
Intangible assets	36,110	(3,412)	–	32,698
Redeemable cumulative convertible preference share	14,314	(1,777)	–	12,537
Fair value reserve	46,996	7,008	(2,005)	51,999
Other temporary differences	13,306	(7,525)	291	6,072
	178,711	13,232	(1,714)	190,229

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

As at 31 March 2021, there is unabsorbed capital allowances which amounted to RM450,616,000 (2020: RM450,694,000) that is available for offset against future taxable profit of leasing business from two of its subsidiaries. A deferred tax asset is not recognised due to the uncertainty in timing of its recoverability.

16. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

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

(1) Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
AmInvestment Group Berhad ("AIGB")	Investment holding	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	100.00	100.00
AmBank Islamic Berhad ("AmBank Islamic")	Islamic banking	100.00	100.00
MBF Cards (M'sia) Sdn Bhd ("MBF Cards")	Dormant	100.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	100.00	100.00
AmCard Services Berhad	Outsourcing servicer for mortgage related services	100.00	100.00
AmGeneral Holdings Berhad	Investment holding	51.00	51.00
AmGeneral Insurance Berhad	General insurance	51.00	51.00
AmFunds Management Berhad ("AFM")	Fund management including management of unit trusts and private retirement schemes	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic fund management services and distribution of Islamic wholesale funds	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd [10]	Dormant	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd [8]	Dormant	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd [2]	Nominee services	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AmREIT Holdings Sdn Bhd	Investment holding	70.00	70.00
AmREIT Managers Sdn Bhd	Management of real estate investment trusts	70.00	70.00
MBf Information Services Sdn Bhd	Property investment	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd [12]	Dormant	100.00	100.00
MBf Trustees Berhad [11]	Dormant	60.00	60.00

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

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

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

Subsidiaries (cont'd.)	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
AmProperty Holdings Sdn Bhd	Property investment	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	100.00	100.00
Malco Properties Sdn Bhd [12]	Dormant	81.51	81.51
AmPremier Capital Berhad ("AmPremier") [9]	Dormant	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmCapital (B) Sdn Bhd [1]	Dormant	–	–
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AmFraser International Pte. Ltd. [3]	Dormant	–	100.00
AMFB Holdings Berhad ("AMFB") [6]	Dormant	100.00	100.00
AMSEC Holdings Sdn Bhd [4]	Dormant	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM") [6]	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity") [6]	Dormant	80.00	80.00
AmFutures Sdn Bhd ("AmFutures") [7]	Dormant	100.00	100.00
AmResearch Sdn Bhd ("AmResearch") [6]	Dormant	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") [6]	Dormant	100.00	100.00
Komuda Credit & Leasing Sdn Bhd [5]	Dormant	100.00	100.00

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

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

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

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

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

[4] Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013.

[5] Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.

[6] Subsidiaries commenced Members' Voluntary Liquidation on 23 December 2016.

[7] Subsidiary commenced Members' Voluntary Liquidation on 27 March 2018.

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

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

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

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

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

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

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

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

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

(i) On 30 March 2021, the Company subscribed for the issuance of:

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

(ii) Redemption of preference shares

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

(iii) Winding-up of subsidiaries

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

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

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

(iv) Dissolution of a subsidiary

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

(v) Return of capital by a subsidiary

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

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

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

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

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

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

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

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

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

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary

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

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

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

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

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

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

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

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

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

(ii) Summarised statement of comprehensive income

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

(iii) Summarised statement of cash flows

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

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

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

In Malaysia Unquoted unit trusts Name of fund	Principal activities	Effective Equity Interest 2021 %	 2020 %
AmIncome Institutional 1	Investment in debt securities and money market	51.00	51.00
AmIncome Institutional 3	Investment in debt securities and money market	51.00	51.00
AmCash Plus	Investment in government related securities and money market	51.00	51.00

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

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

The recoverable amount used in the impairment assessment is based on value-in-use calculations. This calculation use pre-tax cash flow projections based on financial budgets approved by the Board. The discount rate applied to the cash flow projections is derived from the average distribution yield for Malaysian Real Estate Investment Trusts at the date of assessment.

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

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

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

Name of associate/joint venture	Principal activities	Effective Equity Interest 2021 %	Effective Equity Interest 2020 %
Associates:			
AmFirst Real Estate Investment Trust ("AmFirst REIT")	Investment in real estate	26.73	26.73
Bonuskad Loyalty Sdn Bhd ("Bonuskad") [1]	Managing customer loyalty schemes	33.33	33.33
Joint ventures ("JVs"):			
AmMetLife Insurance Berhad ("AmMetLife Insurance") [2]	Life assurance	50.00	50.00
AmMetLife Takaful Berhad ("AmMetLife Takaful")	Family Takaful	50.00	50.00

[1] The financial year-end of Bonuskad is on 31 December 2020 and for the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions up to the Group's financial reporting date.

[2] AmMetLife Insurance holds 100% (2020: 100%) equity interest in a collective investment scheme, AmIncome Institutional 5 ("AMII 5") and has been consolidated in accordance with MFRS 10 *Consolidated Financial Statements* and included in the Group's carrying amount of interest in joint ventures.

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

	AmFirst REIT RM'000	AmMetLife Insurance RM'000	Bonuskad RM'000	AmMetLife Takaful RM'000
For the financial year ended 31 March 2021				
Revenue	107,303	656,417	23,576	195,598
Profit/(Loss) after tax from continuing operations	4,661	83,309	(3,960)	4,466
Other comprehensive income/(loss)	–	1,566	–	(3,626)
Total comprehensive income/(loss)	4,661	84,875	(3,960)	840
For the financial year ended 31 March 2020				
Revenue	116,036	713,470	26,644	115,338
Profit/(Loss) after tax from continuing operations	21,652	(19,835)	963	54
Other comprehensive (loss)/income	–	(931)	–	222
Total comprehensive income/(loss)	21,652	(20,766)	963	276

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

[1] Includes fair value adjustments made by the Group at the time of acquisition.

[2] The fair value of investment in AmFirst REIT based on the quoted price as at 31 March 2021 is approximately RM78,014,000 (2020: RM74,313,000).

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

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

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

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

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

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

	2021		2020	
	AmFirst REIT RM'000	AmMetLife Insurance RM'000	AmFirst REIT RM'000	AmMetLife Insurance RM'000
Proportion of net assets at date of recognition	26.7%	50.0%	26.7%	50.0%
Carrying amount at the beginning of the financial year	224,231	401,214	225,764	411,597
Share of net results for the financial year	1,246	41,654	5,788	(9,918)
Share of other comprehensive income for the financial year	–	783	–	(465)
Impairment of investment in associate	(147,819)	–	–	–
Dividend/Distribution received	(5,303)	–	(7,321)	–
Carrying amount at the end of the financial year	72,355	443,651	224,231	401,214

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

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

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

(1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2021, as well as the corresponding change in fair value during the financial year.

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

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

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

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

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

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

(f) (1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2021, as well as the corresponding change in fair value during the financial year. (cont'd.)

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

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

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

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

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

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

(f) (1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2021, as well as the corresponding change in fair value during the financial year. (cont'd.)

(ii) Individually immaterial JV – AmMetLife Takaful

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

	Fair value as at 1 April 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
2020					
Assets					
Loans and receivables ("LAR")	47,596	(7,311)	40,285	SPPI/SPPP	Amortised cost
– Quoted Shariah approved equities	16,466	(2,479)	13,987	Non-SPPI/SPPP	FVTPL
– Unit and property trust funds	7,752	47	7,799	Non-SPPI/SPPP	FVTPL
– Malaysian Government guaranteed financing	6,796	139	6,935	SPPI/SPPP	FVOCI
– Malaysian Government guaranteed financing	624	390	1,014	Non-SPPI/SPPP	FVTPL
– Islamic private debt securities	177,708	8,653	186,361	SPPI/SPPP	FVOCI
– Islamic private debt securities	5,839	10,931	16,770	Non-SPPI/SPPP	FVTPL
– Accrued interest	3,316	97	3,413	SPPI/SPPP	Amortised cost
– Other receivables	253	(7)	246	SPPI/SPPP	Amortised cost
Cash and bank balances	7,246	41,020	48,266	SPPI/SPPP	Amortised cost

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

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

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

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

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

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

Credit exposure by credit rating

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

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

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

* excluding prepayment and tax recoverable

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

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

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

(ii) Individually immaterial JV – AmMetLife Takaful

	Neither past due nor impaired			
	Government guaranteed RM'000	Investment grade* (A-AAA) RM'000	Unrated RM'000	Total RM'000
2021				
Investments:				
AFS securities:				
Unquoted in Malaysia:				
Secured Islamic corporate debt securities	40,017	–	–	40,017
Unsecured Islamic corporate debt securities	–	194,301	–	194,301
LAR:				
Islamic investment accounts with licensed Islamic banks	–	54,250	–	54,250
Accrued interest and other receivables (excluding prepayments and tax recoverable)	493	3,036	459	3,988
Cash and bank balances	–	75,517	18	75,535
	40,510	327,104	477	368,091

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

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

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

18. OTHER ASSETS

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

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

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

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

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

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

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

As at reporting date, trade receivables of the Group that are classified as impaired amounted to RM1,816,000 (2020: RM1,715,000).

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

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

19. PROPERTY AND EQUIPMENT

Group 31 March 2021	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	3,901	4,813	534	63,332	7,907	230,639	674,209	213,014	24,395	1,222,744
Additions	–	–	–	–	413	7,698	16,975	3,801	10,820	39,707
Disposals	(92)	–	–	(184)	(447)	–	(18,971)	(2,539)	–	(22,233)
Written off	–	–	–	–	–	–	(19)	(1,203)	–	(1,222)
Reclassification/adjustments	5,088	3,164	(213)	(9,650)	685	(2,488)	25,314	357	(28,023)	(5,766)
Transfer from Intangible Assets (Note 21)	–	–	–	–	–	–	–	–	281	281
Foreign exchange differences	–	–	–	–	(7)	–	(14)	(69)	–	(90)
At end of the financial year	8,897	7,977	321	53,498	8,551	235,849	697,494	213,361	7,473	1,233,421
Accumulated depreciation										
At beginning of the financial year	336	2,755	210	25,399	5,198	197,620	551,299	184,650	–	967,467
Depreciation for the financial year (Note 35)	–	145	12	1,056	521	12,128	45,369	10,661	–	69,892
Disposals	–	–	–	(96)	(294)	–	(17,900)	(2,534)	–	(20,824)
Written off	–	–	–	–	–	–	(17)	(1,103)	–	(1,120)
Reclassification/adjustments	(336)	364	32	(1,429)	821	867	739	(29)	–	1,029
Foreign exchange differences	–	–	–	–	(7)	–	(14)	(69)	–	(90)
At end of the financial year	–	3,264	254	24,930	6,239	210,615	579,476	191,576	–	1,016,354
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	8,897	4,459	67	27,689	2,312	25,234	118,018	21,785	7,473	215,934

19. PROPERTY AND EQUIPMENT (CONT'D.)

Group 31 March 2020	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	4,140	5,102	534	67,547	9,855	206,763	440,376	207,505	7,169	948,991
Additions	–	–	–	–	250	8,848	19,522	6,712	23,104	58,436
Disposals	–	–	–	(275)	(2,051)	(15)	(8,244)	(1,990)	–	(12,575)
Written off	–	–	–	–	–	(2)	(65)	(1,110)	–	(1,177)
Reclassification/adjustments	–	–	–	–	(156)	2,544	12,089	1,805	(16,962)	(680)
Transfer from Intangible Assets (Note 21)	–	–	–	–	–	12,500	210,511	–	11,084	234,095
Reclassified to Assets Held for Sale (Note 54)	(239)	(289)	–	(3,940)	–	–	–	–	–	(4,468)
Foreign exchange differences	–	–	–	–	9	1	20	92	–	122
At end of the financial year	3,901	4,813	534	63,332	7,907	230,639	674,209	213,014	24,395	1,222,744
Accumulated depreciation										
At beginning of the financial year	347	2,633	204	24,963	6,577	178,553	391,089	175,271	–	779,637
Depreciation for the financial year (Note 35)	–	152	6	1,081	570	12,409	36,321	12,327	–	62,866
Disposals	–	–	–	–	(1,802)	(15)	(8,241)	(1,984)	–	(12,042)
Written off	–	–	–	–	–	(2)	(58)	(1,056)	–	(1,116)
Reclassification/adjustments	–	–	–	–	(156)	–	53	–	–	(103)
Transfer from Intangible Assets (Note 21)	–	–	–	–	–	6,674	132,115	–	–	138,789
Reclassified to Assets Held for Sale (Note 54)	(11)	(30)	–	(645)	–	–	–	–	–	(686)
Foreign exchange differences	–	–	–	–	9	1	20	92	–	122
At end of the financial year	336	2,755	210	25,399	5,198	197,620	551,299	184,650	–	967,467
Accumulated impairment loss										
At beginning and end of the financial year	–	254	–	879	–	–	–	–	–	1,133
Carrying amount	3,565	1,804	324	37,054	2,709	33,019	122,910	28,364	24,395	254,144

19 PROPERTY AND EQUIPMENT (CONT'D.)

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

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

20. RIGHT-OF-USE ASSETS

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

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020			
Cost			
At beginning of the financial year	328,629	–	328,629
Additions	74,787	3,136	77,923
Remeasurements	(7,663)	–	(7,663)
Derecognition of expired leases	(1,265)	–	(1,265)
At end of the financial year	394,488	3,136	397,624
Accumulated depreciation			
At beginning of the financial year	–	–	–
Depreciation for the financial year (Note 35)	80,165	1,045	81,210
Derecognition of expired leases	(1,265)	–	(1,265)
At end of the financial year	78,900	1,045	79,945
Carrying amount			
At end of the financial year	315,588	2,091	317,679

The carrying amount of right-of-use assets includes estimated cost for reinstatement amounting to RM4,846,000 (2020: RM6,176,000).

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

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

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

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

21. INTANGIBLE ASSETS

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

Brand

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

K-Brand is reviewed for impairment annually and when there are indications of impairment. The recoverable amount of K-Brand is based on its value-in-use by discounting the expected future cash flows. The key assumptions for the computation of value-in-use include the growth rates and discount rates applied. Cash flow projection is based on the actual results for 2021 with premium growth rate of -2.6% to 5.8% (2020: 2.2% to 6.7%) over the next 5 years and terminal growth rate of 3.0% (2020: 3.0%). The discount rate applied is 13.4% (2020: 13.0%) which is the estimated cost of equity plus a risk adjustment.

Agent relationship

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

Credit cards relationship

Credit cards relationship arose from the acquisition of MBF Cards. The credit cards relationship was previously amortised over a finite useful life of 10 years using the straight-line method. The useful life of the credit card relationship has been revised to 8.33 years following the annual reassessment of the amortisation periods for intangible assets with finite useful lives, as a result of a significant reduction in the economic benefits derived from the credit card relationship during the financial year. This revision has resulted in the acceleration of amortisation charge by RM6,333,000 on prospective basis in the current financial year.

21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

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

Impairment test for goodwill

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

	Group	
	2021 RM'000	2020 RM'000
Investment banking	4,227	428,026
Asset and fund management	116,128	116,128
Commercial and retail:		
– Conventional banking	129,655	1,495,009
– Islamic banking	53,482	53,482
General insurance	717,070	717,070
	1,020,562	2,809,715

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

The cash flow projections for all CGUs other than general insurance are based on the financial budgets approved by the management covering a three-year period (2020: three-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 5.0% (2020: 4.9%) based on long-term inflation forecast and expectations of market opportunities. The discount rate applied ranged from 9.00% to 10.13% (2020: 7.42% to 8.02%).

The cash flow projections general insurance CGU are based on the financial budgets approved by management covering a one-year period, taking into account the projected premium growth rate of -2.6% to 5.8% (2020: 2.2% to 6.7%) based on current and future industry trends. Estimated cash flows beyond the period covered by the financial budgets are extrapolated using the terminal growth rate of 3.0% (2020: 3.0%). The discount rate applied is 14.4% (2020: 14.0%).

21. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

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

During the current year, the Group impaired its goodwill in relation to investment banking and conventional banking of RM423,799,000 and RM1,365,354,000 respectively. For the other CGUs, management believes that any reasonably possible change in the key assumptions would not cause the carrying amounts of the goodwill to exceed their recoverable amounts.

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

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

21. INTANGIBLE ASSETS (CONT'D.)

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

Group	Brand RM'000	In-force business RM'000	Merchants relationship RM'000	Agent relationship RM'000	Credit cards relationship RM'000	Computer software RM'000	WIP for computer software RM'000	Total RM'000
2020								
Cost								
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,326,126	42,832	1,640,426
Additions	–	–	–	–	–	17,879	69,479	87,358
Reclassification/adjustments	–	–	–	–	–	36,884	(38,270)	(1,386)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	(223,011)	(11,084)	(234,095)
Foreign exchange differences	–	–	–	–	–	3	–	3
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,157,881	62,957	1,492,306
Accumulated amortisation								
At beginning of the financial year	–	53,538	25,000	26,207	24,067	941,602	–	1,070,414
Amortisation (Note 35)	–	–	–	4,038	3,800	101,070	–	108,908
Reclassification/adjustments	–	–	–	–	–	(21)	–	(21)
Transfer to Property and Equipment (Note 19)	–	–	–	–	–	(138,789)	–	(138,789)
Foreign exchange differences	–	–	–	–	–	3	–	3
At end of the financial year	–	53,538	25,000	30,245	27,867	903,865	–	1,040,515
Carrying amount								
At end of the financial year	94,440	–	–	30,245	10,133	254,016	62,957	451,791

22. DEPOSITS FROM CUSTOMERS

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

Included in deposits from customers of the Group are deposits of RM2,031.4 million (2020: RM2,038.5 million) held as collateral for loans, advances and financing.

22. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:

	Group	
	2021 RM'000	2020 RM'000
Due within six months	70,498,403	67,788,352
Six months to one year	12,822,494	13,816,530
Over one year to three years	1,361,269	2,392,042
Over three years to five years	102,730	139,285
	84,784,896	84,136,209

The deposits are sourced from the following types of customers:

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

23. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

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

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

24. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on loans and financing sold to Cagamas Berhad represents the proceeds received from loans and financing sold to Cagamas Berhad with recourse. Under this arrangement for loans sold, the Group undertakes to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing, which are regarded as defective based on prudential criteria with recourse to the Group.

25. TERM FUNDING

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

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

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

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

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

Group

Senior Notes of the Group refers to the Senior Notes Programme ("SNP") of up to RM7.0 billion nominal value by AmBank. The proceeds from the issuance of the Senior Notes is to be utilised for AmBank's general working capital requirements.

The SNP has a tenure of up to 30 years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenure of more than 1 year and up to 10 years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

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

– Tranche 7 which amounted to RM700.0 million in nominal value was issued on 26 June 2018 with a tenor of 2 years. The interest rate of this tranche is 4.50% per annum, payable semi-annually. On maturity date of 26 June 2020, this tranche was fully redeemed. As at 31 March 2021, RAM Rating has assigned a long-term rating of AA3/Stable to the SNP.

25. TERM FUNDING (CONT'D.)

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

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

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	1,000,000	1,000,000
Issuance during the financial year	–	1,000,000
Redemption during the financial year	–	(1,000,000)
Balance at end of the financial year	1,000,000	1,000,000

In the financial year ended 31 March 2011, AmBank Islamic implemented a Senior Islamic securities issuance ("Senior Sukuk") programme under the Shariah principle of Musharakah with nominal value of up to RM3.0 billion. As at 31 March 2021, the Senior Sukuk was assigned a rating of AA3/Stable by RAM.

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

- Tranche 2 which amounted to RM100.0 million was issued on 5 November 2014. This tranche bears profit rate of 4.40% per annum payable semi-annually and has a tenor of 5 years. On maturity date of 5 November 2019, this tranche was fully redeemed.

- Tranche 4 which amounted to RM900.0 million was issued on 6 March 2015. This tranche bears profit rate of 4.45% per annum payable semi-annually and has a tenor of 5 years. On maturity date of 6 March 2020, this tranche was fully redeemed.

- On 27 March 2020, Tranche 5 and Tranche 6 with nominal value of RM200.0 million and RM800.0 million respectively were issued. Profit is payable semi-annually at rate of 3.55% per annum for Tranche 5 and 4.10% per annum for Tranche 6. Tranche 5 has a tenor of 2 years and Tranche 6 has a tenor of 5 years.

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

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

The CLN are structured investment products issued by AmBank and subscribed at nominal value. The nominal value of CLN issued and outstanding at reporting date amounted to RM150.0 million (2020: RM150.0 million). The CLNs carry a fixed interest rate at 2.0% per annum (2020: 4.0% per annum up to 14 September 2019 and at 2.0% per annum from 15 September 2019 to maturity date of 14 September 2021).

25. TERM FUNDING (CONT'D.)

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

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

Other borrowings comprise term loan and structured deposits:

(i) On 13 December 2019, AmBank drawdown on a term loan of USD100.0 million from two joint lenders, Wells Fargo Bank, National Association and Commerzbank Aktiengesellschaft, Luxembourg Branch. This term loan is for a period of two years and interest is charged at 3-month LIBOR +0.6%. This loan is utilised for diversifying the sources of funding the growth of the USD balance sheet.

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

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

AmBank on 3 July 2014, issued USD400.0 million Senior Notes under its USD2.0 billion Euro Medium Term Note ("Euro MTN") programme in nominal value (or its equivalent in other currencies). The Euro MTN programme was approved by the Securities Commission on 4 July 2013. On maturity date of 3 July 2019, AmBank fully redeemed the Euro MTN.

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

26. DEBT CAPITAL

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

(a) Subordinated Notes and Sukuk

The outstanding Subordinated Notes and Sukuk are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year:		
Subordinated Sukuk	1,150,000	1,150,000
Subordinated Notes	2,595,000	2,595,000
Issuance during the financial year:		
Subordinated Sukuk	400,000	–
Subordinated Notes	400,000	–
Redemption during the financial year:		
Subordinated Sukuk	(250,000)	–
Balance at end of the financial year:	4,295,000	3,745,000

(i) Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had implemented a Subordinated Sukuk Murabahah programme of RM3.0 billion. The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the AmBank Islamic's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia ("BNM").

The programme has a tenure of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. As at 31 March 2021, the Tier 2 Subordinated Sukuk have been assigned a credit rating of A1/Stable by RAM.

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

- Tranche 3 which amounted to RM250.0 million was issued on 21 December 2015. The profit rate of this tranche is 5.35% per annum, payable semi-annually. This tranche was fully redeemed on 21 December 2020.
- Tranche 4 which amounted to RM10.0 million was issued on 30 December 2016. The profit rate of this tranche is 5.50% per annum, payable semi-annually.
- Tranche 5 which amounted to RM240.0 million was issued on 15 March 2017. The profit rate of this tranche is 5.20% per annum, payable semi-annually.
- Tranche 6 which amounted to RM150.0 million was issued on 23 February 2018. The profit rate of this tranche is 5.23% per annum, payable semi-annually.
- Tranche 7 which amounted to RM500.0 million was issued on 18 October 2018. The profit rate of this tranche is 4.88% per annum, payable semi-annually.
- Tranche 8 which amounted to RM400.0 million was issued on 8 December 2020. The profit rate of this tranche is 3.13% per annum, payable semi-annually.

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

26. DEBT CAPITAL (CONT'D.)

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

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

On 18 December 2018, Tranche 4 to Tranche 6 amounting to RM400.0 million in total previously held by the Company was swapped with the Company's Subordinated Notes issued previously under a Tier 2 Subordinated Notes programme of up to RM10.0 billion. The bond swap transaction which was undertaken as part of the Company's debt restructuring exercise was approved by BNM in the financial year ended 31 March 2019.

The full amount of these tranches issued qualify for recognition as Tier 2 capital in the capital adequacy ratio computation of AmBank Islamic. Total outstanding Subordinated Sukuk Murabahah as at 31 March 2021 amounted to RM1,300,000,000 (2020: RM1,150,000,000).

(ii) Subordinated Notes

On 30 December 2013, AmBank established a Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing AmBank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. As at 31 March 2021, the Tier 2 Subordinated Notes have been assigned a credit rating of A1/Stable by RAM.

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

– Tranche 2 which amounted to RM500.0 million was issued on 15 March 2017. The interest rate of this tranche is 5.20% per annum, payable semi-annually.
– Tranche 3 which amounted to RM570.0 million was issued on 16 October 2017. The interest rate of this tranche is 4.90% per annum, payable semi-annually.
– Tranche 4 which amounted to RM175.0 million was issued on 23 February 2018. The interest rate of this tranche is 5.23% per annum, payable semi-annually.
– Tranche 5 which amounted to RM350.0 million was issued on 14 March 2018. The interest rate of this tranche is 5.23% per annum, payable semi-annually.
– Tranche 6 which amounted to RM1.0 billion was issued on 15 November 2018. The interest rate of this tranche is 4.98% per annum, payable semi-annually.
– Tranche 7 amounting to RM400.0 million was issued on 30 March 2021. The interest rate of this tranche is 4.18% per annum, payable semi-annually.

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

On 18 December 2018, Tranche 2, 4 and 5 amounting to RM1.025 billion in total previously held by the Company was swapped with the Company's Subordinated Notes issued under a Tier 2 Subordinated Notes Programme of up to RM10.0 billion. The bond swap transaction which was undertaken as part of the Company's debt restructuring exercise was approved by BNM in the financial year ended 31 March 2019.

The full amount of these tranches issued qualify for recognition as Tier 2 capital in the capital adequacy ratio computation of AmBank. Total outstanding Subordinated Notes as at 31 March 2021 amounted to RM2,995,000,000 (2020: RM2,595,000,000).

26. DEBT CAPITAL (CONT'D.)

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

On 18 August 2009, AmBank issued up to RM485.0 million Innovative Tier 1 Capital Securities under its RM500.0 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date of 8.25% per annum and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi-annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Effective 1 January 2013, the ITICS qualify as Additional Tier 1 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

On the first call date of 19 August 2019, AmBank redeemed Tranche 1 of the ITICS of RM300.0 million in nominal value. On the first call date of 30 September 2019, AmBank redeemed Tranche 2 of the ITICS of RM185.0 million in nominal value and cancelled the programme after this final redemption.

The movements in ITICS are as follows:

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

27. OTHER LIABILITIES

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

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

27. OTHER LIABILITIES (CONT'D.)

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

Provision for retirement benefits

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

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

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

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

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

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

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As at 31 March 2021

27. OTHER LIABILITIES (CONT'D.)

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

(iv) Actuarial assumptions

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

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

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 7.51 years (2020: 7.77 years).

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

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

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

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in the defined benefit obligation:

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

27. OTHER LIABILITIES (CONT'D.)

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

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	28,014	81,779
Writeback during the financial year	(810)	(490)
Reversal of provision under impaired loans, advances and financing recovered*	(16,965)	(51,275)
Settlement during the financial year	–	(2,000)
Balance at end of the financial year	10,239	28,014

* Arising from the disposal of non-performing loans/financings in the financial year ended 31 March 2019 by two of the Group's banking subsidiaries, the Group had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non-performing loans/financings. The Group's banking subsidiaries, AmBank and AmBank Islamic had entered into Supplemental Sales and Purchase Agreements ("Supplemental SPAs") with the purchasers of non-performing loans/financings, Aiqon Amanah Sdn Bhd and Aiqon Islamic Sdn Bhd respectively on 30 August 2019. The Supplemental SPAs for variation of terms and conditions of the original Sales and Purchase Agreements had included a limit of RM18.0 million to the Group's liabilities for repurchase of loans/financings. RM51.3 million was reversed in the previous financial year in relation to the Supplemental SPAs.

During the current financial year, AmBank and AmBank Islamic reversed a total of RM17.0 million relating to the provision for estimated expenditure in respect of AmBank and AmBank Islamic's obligation to repurchase loans/financings due to expiry of the repurchase obligation.

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows:

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Balance at beginning of the financial year	51,703	34,141	10,905	96,749
Net writeback of ECL	(9,370)	(1,690)	(10,717)	(21,777)
– Transfer to 12-month ECL (Stage 1)	1,068	(10,446)	–	(9,378)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(955)	11,037	–	10,082
– Transfer to Lifetime ECL credit impaired (Stage 3)	(217)	(366)	1,160	577
New exposures originated	13,903	8,790	–	22,693
Net remeasurement of allowances	(7,550)	(2,515)	(1,485)	(11,550)
Exposures derecognised	(24,306)	(12,747)	(10,390)	(47,443)
Changes in model assumptions and methodologies	8,687	4,557	(2)	13,242
Foreign exchange differences	170	68	(7)	231
Balance at end of the financial year	42,503	32,519	181	75,203

27. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows: (cont'd.)

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year	42,503	32,519	181	75,203
Net (writeback of)/allowances ECL	(12,033)	4,888	52,552	45,407
– Transfer to 12-month ECL (Stage 1)	1,402	(8,890)	–	(7,488)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,705)	7,206	–	5,501
– Transfer to Lifetime ECL credit impaired (Stage 3)	(92)	(453)	52,422	51,877
New exposures originated	13,054	16,284	8	29,346
Net remeasurement of allowances	(1,528)	3,934	122	2,528
Exposures derecognised	(11,721)	(7,629)	–	(19,350)
Changes in model assumptions and methodologies	(11,443)	(5,564)	–	(17,007)
Foreign exchange differences	(41)	(59)	–	(100)
Balance at end of the financial year	30,429	37,348	52,733	120,510

The movements in ECL during the financial year are due to the following:

(a) Overall 12-month ECL (Stage 1) decreased due to reversal of FL ECL overlay provided in the previous financial year, exposure derecognised and net remeasurement of allowances; partially offset by new exposures originated.

(b) Overall Lifetime ECL not credit impaired (Stage 2) increased due to new exposures originated and net remeasurement of allowances; partly offset by exposures derecognised and reversal of FL ECL overlay provided in the previous financial year.

(c) Lifetime ECL credit impaired (Stage 3) increased mainly due to newly impaired performance guarantees in the financial year.

(e) The movements of lease liabilities are as follows:

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2021			
At beginning of the financial year	314,759	2,129	316,888
Additions	15,488	5,722	21,210
Remeasurements	14,105	–	14,105
Finance cost charged (Note 35)	11,936	255	12,191
Payment of lease liabilities*	(86,813)	(4,110)	(90,923)
At end of the financial year	269,475	3,996	273,471

27. OTHER LIABILITIES (CONT'D.)

(e) The movements of lease liabilities are as follows: (cont'd.)

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020			
At beginning of the financial year	313,146	–	313,146
Additions	73,723	3,136	76,859
Remeasurements	(1,736)	–	(1,736)
Finance cost charged (Note 35)	10,056	85	10,141
Payment of lease liabilities*	(80,430)	(1,092)	(81,522)
At end of the financial year	314,759	2,129	316,888

* Inclusive of RM41,343,000 (2020: RM32,807,000) of payment of lease liabilities to related parties during the financial year.

The weighted-average incremental borrowing rate for lease liabilities initially recognised as of 1 April 2019 for the Group was 3.53% per annum.

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient of MFRS 16 for the current financial year end amounted to RM2,000,000 (2020: RM1,900,000) for low-value assets and RM3,300,000 (2020: RM11,790,000) for leases with contract term of less than 12 months.

Lease liabilities analysed by undiscounted contractual payments are as follows:

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2021			
Up to 1 month	7,096	71	7,167
>1 month to 3 months	14,142	145	14,287
>3 months to 6 months	21,061	221	21,282
>6 months to 12 months	37,278	3,484	40,762
>1 year to 5 years	145,061	416	145,477
Over 5 years	71,505	–	71,505
	296,143	4,337	300,480

Group	Premises RM'000	Computer equipment RM'000	Total RM'000
2020	7,409	85	7,494
Up to 1 month	7,409	85	7,494
>1 month to 3 months	14,717	171	14,888
>3 months to 6 months	20,840	259	21,099
>6 months to 12 months	41,085	525	41,610
>1 year to 5 years	185,790	1,175	186,965
Over 5 years	82,386	–	82,386
	352,227	2,215	354,442

27. OTHER LIABILITIES (CONT'D.)

(f) The movements for provision for reinstatement of leased properties are as follows:

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial year	10,927	15,483
Additions	280	1,064
Remeasurement	(318)	–
Reversal of provision	(2,041)	(5,927)
Finance cost charged (Note 35)	141	307
At end of the financial year	8,989	10,927

As at 31 March 2021, the Group has estimated that it is contingently liable to incur restoration costs of RM13,400,000 (2020: RM13,400,000) upon termination of lease contracts for certain properties leased from an associate.

(g) Amount due to subsidiaries are unsecured, interest-free and is repayable on demand.

28. SHARE CAPITAL

	Note	Group		Company	
		2021 Units '000	2020 Units '000	2021 Units '000	2020 Units '000
No. of ordinary shares					
Balance at beginning and end of financial year		3,014,185	3,014,185	3,014,185	3,014,185
		RM'000	RM'000	RM'000	RM'000
Issued and fully paid ordinary shares					
Balance at beginning of financial year		5,851,557	5,751,557	5,550,250	5,550,250
Transfer from retained earnings arising from redemption of preference shares	16(a)(3)(ii)	100,000	100,000	–	–
Balance at end of financial year		5,951,557	5,851,557	5,550,250	5,550,250

The holders of fully paid ordinary shares, are entitled to receive dividends as and when declared by the Company. All fully paid ordinary shares carry one vote per share without restrictions and ranked equally with regards to the Company's residual assets.

The Company has an Executives' Share Scheme ("ESS"), details of the ESS are disclosed in Note 30. Total numbers of shares held as treasury shares for purposes of the ESS is 6,069,050 as at 31 March 2021 (2020: 7,495,900).

The Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020. On 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

With the Private Placement, it enables the Group to strengthen its core capital ratios, including Common Equity Tier 1 and Total Capital Ratio as disclosed in Note 48(b).

29. RESERVES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Regulatory reserve	(a)	–	387,528	–	–
Fair value reserve	(b)	708,790	635,311	–	–
Cash flow hedging deficit	(c)	(16,949)	(28,155)	–	–
Foreign currency translation reserve	(d)	94,992	108,667	–	–
ESS reserve	(e)	67,778	40,572	67,778	40,572
Treasury shares	(f)	(20,970)	(26,916)	(20,970)	(26,916)
Non-participating funds	(g)	45,715	45,715	–	–
Retained earnings	(h)	7,809,864	11,566,493	4,461,734	4,341,788
		8,689,220	12,729,215	4,508,542	4,355,444

(a) Regulatory reserve is maintained by the banking subsidiaries in accordance with paragraph 10.5 of the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent.

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

(b) The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at FVOCI. In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets.

(c) Cash flow hedging deficit comprises the portion of the losses respectively on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(d) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) ESS reserve represents the equity-settled scheme shares granted to employees (Note 30). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled scheme share, and is reduced by the expiry of the scheme shares.

(f) Treasury shares represent the shares of the Company listed on the Main Market of Bursa Malaysia bought back from the open market. Shares bought back are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. These shares have no rights to vote, dividends and participate in other distributions.

During the current financial year, the Company bought back 1,507,250 (2020: 7,495,900) ordinary shares of the Company for a total consideration of RM4.6 million (2020: RM26.9 million) (including transaction costs) from the open market at an average price of RM3.04 per share (2020: RM3.58 per share).

(g) This non-participating funds unallocated surplus is only available for distribution to shareholders based on the amount recommended by the appointed actuary.

(h) The Company can distribute dividends out of its entire retained earnings under the single-tier system.

30. EXECUTIVES' SHARE SCHEME

On 5 October 2018, the Board of the Company approved the implementation of a new ESS. The new ESS will be in force for a maximum period of ten (10) years from the effective date. Under the new ESS By-Laws, the award granted comprise Scheme Shares.

The awards included in the ESS are:

(i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the GNRC.

(ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the GNRC.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, who meets the following criteria at date of offer of awards ("Offer Date") shall be eligible for consideration and selection in the ESS by GNRC ("Eligible Executives"):

(a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

(b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

(c) employment has been confirmed in writing;

(d) in the case of an executive director of the Company, if required, the specific allocation of shares granted by the Company to him in his capacity as an Executive Director under the ESS has been approved by the shareholders at a general meeting;

(e) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project;

(f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the GNRC shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the GNRC from time to time.

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) ("Maximum Scheme Shares Allowable") at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the total number of issued shares of the Company.

(iii) In the event that the Company purchases or cancels its own shares in accordance with the provisions of Section 127 of the Companies Act 2016 or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its issued and paid-up ordinary share capital, all the Scheme Shares granted prior to such purchase and/or the reduction/adjustment of the issued and paid-up ordinary share capital of the Company shall remain valid as if that reduction/adjustment had not occurred.

(iv) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) shall be at a discount (as determined by the GNRC) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made (or such basis as the relevant authorities may permit).

(v) The Scheme Shares to be allotted and issued or transferred to Scheme Participant (Eligible Executive who has accepted the Offer) pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the GNRC in the offer.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows: (cont'd.)

(vi) The GNRC may in its discretion decide that the Scheme Shares be satisfied either by way of acquisition of existing ordinary shares including by a share buy-back and subject to compliance with the provisions of the Companies Act 2016 and Bursa Malaysia Securities Berhad Listing Requirements.

(vii) In the event that the performance targets, performance period or other conditions stipulated in the Offer in respect of any one or more Scheme Participant cannot be achieved/satisfied, the GNRC may in its discretion by notice in writing to such Scheme Participant(s), waive its compliance, subject to any further conditions as the GNRC may in its discretion impose.

The Company and/or GNRC may establish a Trust administered by a Trustee for the purposes of acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

Details for Share Grants are as follows:

(a) Movements for Share Grants under STI award:

	Number of Shares				
	Movements During the Financial Year				
Group	Balance at 1 April 2020 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2021 '000
2019 ESS	5,323	74	(2,813)	(188)	2,396
2020 ESS	–	7,174	(32)	(277)	6,865
	5,323	7,248	(2,845)	(465)	9,261

(b) Movements for Share Grants under LTI award:

	Number of Shares				
	Movements During the Financial Year				
Group	Balance at 1 April 2020 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31 March 2021 '000
2018 ESS	5,943	–	(89)	(456)	5,398
2019 ESS	7,340	–	–	(723)	6,617
2020 ESS	–	10,847	–	(643)	10,204
	13,283	10,847	(89)	(1,822)	22,219

(c) The fair value of share grants awarded is based on the share price on grant date, adjusted the number of shares expected to vest and the time value of money of the deferred dividend entitled by the scheme participants.

(d) The grant dates for shares granted are as follows:

2018 ESS (Grant 1)	5 October 2018
2019 ESS (Grant 2)	11 September 2019
2020 ESS (Grant 3)	17 August 2020

31. NON-CONTROLLING INTERESTS

	Note	Group 2021 RM'000	Group 2020 RM'000
Balance at beginning of financial year		979,268	999,499
Share in net results of subsidiaries		114,372	112,118
Share in other comprehensive income		452	461
Return of capital by a subsidiary	(a)	(49,000)	(49,000)
Dividends received by non-controlling interests		(95,510)	(83,810)
Balance at end of the financial year		949,582	979,268

(a) Upon sanction of the High Court and pursuant to Section 116 of the Companies Act 2016, AmGeneral Holdings Berhad (effective equity interest of 51% by the Group) had cancelled 100.0 million ordinary shares based on issue price of RM1.00 each and returned the paid-up share capital in excess of its needs of RM100.0 million to its shareholders.

32. INTERESTS INCOME

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	65,547	68,761	6,550	5,247
Financial assets at fair value through profit or loss	257,714	422,901	–	–
Financial investments at fair value through other comprehensive income	467,456	493,365	–	–
Financial investments at amortised cost	132,424	141,970	–	–
Loans and advances*	3,215,337	3,788,345	–	–
Impaired loans and advances	4,287	6,539	–	–
Others	13,015	18,130	–	–
	4,155,780	4,940,011	6,550	5,247

* Included in the interest income of loans and advances of the Group is the net loss of RM50.3 million arising from government support measures implemented in response to COVID-19 pandemic.

33. INTEREST EXPENSE

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Deposits from customers	1,605,199	2,256,333	–	–
Deposits and placements of banks and other financial institutions	91,922	188,196	–	–
Senior notes	7,422	45,585	–	–
Credit-Linked Notes	7,719	7,547	–	–
Securities sold under repurchase agreements	42,665	162,647	–	–
Recourse obligation on loans sold to Cagamas Berhad	145,548	159,662	–	–
Term loan	5,183	3,619	–	–
Debt Capital	131,008	148,562	–	–
Other structured products and others	27,207	29,243	–	–
	2,063,873	3,001,394	–	–

34. OTHER OPERATING INCOME

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Fee and commission income:					
Fees on loans and securities		110,708	155,310	–	–
Corporate advisory		10,483	17,933	–	–
Guarantee fees		48,044	54,071	–	–
Underwriting commission		129	323	–	–
Portfolio management fees		51,328	35,364	–	–
Unit trust fees, commission and charges		184,847	125,394	–	–
Property trust management fees		7,075	7,348	–	–
Brokerage fees and commission		69,593	34,108	–	–
Bancassurance commission		10,470	14,089	–	–
Wealth management fees		24,492	26,867	–	–
Remittances		19,196	24,626	–	–
Fees, service and commission charges		21,743	27,971	–	–
Other fees		23,637	20,429	–	–
		581,745	543,833	–	–
Investment and trading income:					
Net gain from sale of financial assets at fair value through profit or loss		275,388	36,617	–	–
Net gain from sale of financial investments at fair value through other comprehensive income		23,492	87,756	–	–
Net gain on redemption of financial investments at amortised cost		3,413	11,676	–	–
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss		66,483	(19,587)	–	–
Net gain on foreign exchange		109,982	102,409	–	–
Net loss on derivatives		(135,126)	(5,881)	–	–
Gain on liquidation of a subsidiary		2,457	–	–	–
Dividend income from:					
Subsidiaries		–	–	354,260	851,836
Financial assets at fair value through profit or loss		32,130	26,330	26	34
Financial investments at fair value through other comprehensive income	11(i)	3,689	7,806	–	–
Others		1,010	282	–	–
		382,918	247,408	354,286	851,870
Other income:					
Net gain on non-trading foreign exchange		999	1,237	–	–
Net gain on disposal of property and equipment[1]		145	1,635	38	103
Rental income		2,764	5,046	–	–
Profit from sale of goods and services		17,983	18,030	–	–
Gain/(Loss) on disposal of foreclosed properties		540	(1)	–	–
Others		5,669	14,228	1,176	1,298
		28,100	40,175	1,214	1,401
		992,763	831,416	355,500	853,271

[1] In the previous financial year, included gain of RM1.5 million upon completion of disposal for properties and investment property classified as assets held-for-sale (Note 54).

35. OTHER OPERATING EXPENSES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Personal costs					
Salaries, allowances and bonuses		924,704	918,356	–	–
Shares granted under ESS:					
– charge		39,452	35,263	–	–
Contributions to Employees' Provident Fund ("EPF")/ Private Retirement Schemes		151,765	153,901	–	–
Social security cost		8,325	8,356	–	–
Other staff related expenses		155,922	125,149	–	–
		1,280,168	1,241,025	–	–
Establishment costs:					
Depreciation of property and equipment	19	69,892	62,866	115	219
Depreciation of right-of-use assets	20	82,342	81,210	–	–
Amortisation of intangible assets	21	110,695	108,908	–	–
Computerisation costs		184,632	195,207	283	230
Rental of premises		6,774	11,790	–	–
Cleaning, maintenance and security		29,036	30,118	–	–
Finance costs:					
– interest on lease liabilities	27(e)	12,191	10,141	–	–
– provision for reinstatement of leased properties	27(f)	141	307	–	–
Others		33,607	34,123	–	–
		529,310	534,670	398	449
Marketing and communication expenses:					
Sales commission		8,214	9,676	–	–
Advertising, promotional and other marketing activities		80,038	64,694	8	347
Telephone charges		23,159	23,616	–	8
Postage		12,721	9,528	1	–
Travelling and entertainment		7,693	15,092	–	61
Others		16,968	15,437	1	–
		148,793	138,043	10	416
Administration and general expenses:					
Professional services		84,308	96,428	887	1,425
Travelling		2,460	5,987	3	1
Insurance		6,076	4,234	–	–
Subscriptions and periodicals		9,192	9,984	8	4
Others		71,928	77,820	5,046	5,617
		173,964	194,453	5.944	7,047
Service transfer pricing expense, net		–	–	16,059	18,662
Total		2,132,235	2,108,191	22,411	26,574

35. OTHER OPERATING EXPENSES (CONT'D.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Included in other operating expenses are the following:					
Directors' remuneration	36	5,314	4,971	3,917	3,706
Property and equipment written off	19	102	61	–	–
Auditors' remuneration:					
Audit		4,145	3,978	105	105
Regulatory and assurance related		751	938	29	29
Other services		1,377	1,345	–	–

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of Chief Executive Officer and directors of the Group are as follows:

	Remuneration received from the Group				
	Salary RM'000	Other Emoluments[1] RM'000	Bonus[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021					
Chief Executive Officer:					
Dato' Sulaiman Mohd Tahir^	2,541	1,571	2,573	37	6,722

	Remuneration received/receivable from the Group			
	Fees[4] RM'000	Other Emoluments[5] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	19	1,702
Graham Kennedy Hodges	200	110	1	311
Soo Kim Wai	350	218	19	587
Voon Seng Chuan	360	388	1	749
Seow Yoo Lin	350	188	1	539
Farina binti Farikhullah Khan	350	220	2	572
Hong Kean Yong	200	120	1	321
Dato' Kong Sooi Lin	350	178	1	529
Robert William Goudswaard*	4	–	–	4
	2,374	2,895	45	5,314

* Newly appointed on 25 March 2021.

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of Chief Executive Officer and directors of the Group are as follows: (cont'd.)

	Remuneration received from the Group				
	Salary RM'000	Other Emoluments[1] RM'000	Bonus[6] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020					
Chief Executive Officer:					
Dato' Sulaiman Mohd Tahir^	2,541	910	3,142	51	6,644

	Remuneration received/receivable from the Group			
	Fees[4] RM'000	Other Emoluments[5] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	26	1,709
Graham Kennedy Hodges	200	108	1	309
Soo Kim Wai	350	203	21	574
Voon Seng Chuan	360	462	2	824
Datuk Shireen Ann Zaharah binti Muhiudeen	50	28	1	79
Seow Yoo Lin	350	210	2	562
Farina binti Farikhullah Khan	350	213	4	567
Hong Kean Yong	95	40	1	136
Dato' Kong Sooi Lin	147	64	–	211
	2,112	2,801	58	4,971

Notes:

1 Comprised statutory contributions and vested deferred shares for the financial year ended 31 March 2019 ("FY2019") (2020: statutory contributions).
2 Bonus received by CEO during the current financial year comprised bonus for the financial year ended 31 March 2020 ("FY2020") and deferred cash bonus for the financial year ended 31 March 2018 ("FY2018"). Bonus awarded in relation to the current financial year is 85% lower than the bonus awarded for FY2020.
3 Comprised provision of medical claims and expenses incurred by CEO and non-executive directors in performing their duties.
4 Payable upon approval by shareholders in the Annual General Meeting of the respective financial year.
5 Comprised Board Committee allowances, meeting allowances and allowances to the Chairman of the Board.
6 Bonus received by CEO in FY2020 comprised bonus for FY2019 and deferred cash bonus for FY2018 and financial year ended 31 March 2017. Bonus awarded in relation to FY2020 is 9% lower than bonus awarded for FY2019.

^ The remuneration for the CEO of the Company of RM2,810,000 (2020: RM3,087,000) was paid by AmBank and charged to the Company under Service Transfer Pricing ("STP") expenses.

36. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received/receivable from the Company			
	Fees[1] RM'000	Other Emoluments[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2021				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	19	1,702
Graham Kennedy Hodges	200	110	1	311
Soo Kim Wai	200	113	–	313
Voon Seng Chuan	200	120	–	320
Seow Yoo Lin	200	125	–	325
Farina binti Farikhullah Khan	200	108	–	308
Hong Kean Yong	200	120	1	321
Dato' Kong Sooi Lin	200	113	–	313
Robert William Goudswaard*	4	–	–	4
Total remuneration	1,614	2,282	21	3,917

* Newly appointed on 25 March 2021.

	Remuneration received/receivable from the Company			
	Fees[1] RM'000	Other Emoluments[2] RM'000	Benefits-in-kind[3] RM'000	Total RM'000
2020				
Non-Executive Directors:				
Tan Sri Azman Hashim	210	1,473	13	1,696
Graham Kennedy Hodges	200	108	1	309
Soo Kim Wai	200	103	–	303
Voon Seng Chuan	200	197	–	397
Datuk Shireen Ann Zaharah binti Muhiudeen	50	28	1	79
Seow Yoo Lin	200	152	1	353
Farina binti Farikhullah Khan	200	108	–	308
Hong Kean Yong	95	40	1	136
Dato' Kong Sooi Lin	84	41	–	125
Total remuneration	1,439	2,250	17	3,706

Notes:

1 Payable upon approval by shareholders in the Annual General Meeting of the respective financial year.
2 Comprised Board Committee allowances, meeting allowances and allowances to the Chairman of the Board.
3 Comprised provision of medical claims and expenses incurred by non-executive directors in performing their duties.

37. ALLOWANCES FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Note	Group 2021 RM'000	Group 2020 RM'000
Impairment on loans, advances and financing:			
Allowances for ECL	13(i)	1,468,550	666,412
Impaired loans, advances and financing recovered, net		(351,614)	(343,781)
		1,116,936	322,631

38. (WRITEBACK OF)/ALLOWANCES FOR IMPAIRMENT ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	Note	Group 2021 RM'000	Group 2020 RM'000
Financial investments			
Financial investments at fair value through other comprehensive income	11	(14,392)	47,012
Financial investments at amortised cost	12	5,916	(484)
		(8,476)	46,528
Other financial assets			
Cash and short-term funds	6	1,493	(512)
Deposits and placements with banks and other financial institutions	8	(443)	(1,590)
Other assets		(1,382)	794
		(332)	(1,308)

39. TAXATION AND ZAKAT

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current tax:					
Estimated current tax payable		362,462	353,365	1,528	1,288
(Over)/Under provision in prior years		(116)	(20,499)	4	132
		362,346	332,866	1,532	1,420
Deferred tax:	15				
Origination and reversal of temporary differences		(133,855)	18,792	–	–
Over provision in prior years		(914)	(24,662)	–	–
		(134,769)	(5,870)	–	–
Taxation	(a)	227,577	326,996	1,532	1,420
Zakat		1,018	3,027	–	–
		228,595	330,023	1,532	1,420

39. TAXATION AND ZAKAT (CONT'D.)

Domestic income tax is calculated at the statutory tax rate of 24.0% (2020: 24.0%) on the estimated chargeable profit for the financial year. The computation of deferred tax for the current financial year is based on the tax rate of 24.0% (2020: 24.0%).

(a) A reconciliation of the taxation applicable to (loss)/profit before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit before taxation and zakat	(3,483,499)	1,782,856	339,639	819,056
Taxation at Malaysian statutory tax rate of 24.0% (2020: 24.0%)	(836,040)	427,885	81,513	196,573
Effect of different tax rates in Labuan	1,312	(3,758)	–	–
Income not subject to tax	(107,544)	(66,162)	(85,022)	(204,449)
Restricted and non-deductibility of expenses for tax purposes	1,183,114	15,337	5,037	9,164
Tax recoverable recognised on income subject to tax remission	(1,720)	(1,899)	–	–
(Over)/Under provision of income tax in prior years	(116)	(20,499)	4	132
Over provision of deferred tax in prior years	(914)	(24,662)	–	–
Tax on share in results of associates and joint ventures	(10,515)	754	–	–
Taxation for the financial year	227,577	326,996	1,532	1,420

40. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding the weighted average of shares bought back held as treasury shares.

	Group	
	2021 RM'000/'000	2020 RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(3,826,466)	1,340,715
Number of ordinary shares in issue	3,014,185	3,014,185
Effect of ordinary shares purchased for the ESS, net of number vested to eligible executives	2,506	–
Effect of shares bought back and held as treasury shares	(8,968)	(6,571)
Effect of ordinary shares held-in-trust disposed off	–	(3,937)
Weighted average number of ordinary shares in issue	3,007,723	3,003,677
Basic (loss)/earnings per share (sen)	(127.22)	44.64

(b) Diluted (loss)/earnings per share

The Group has no dilution in its (loss)/earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

41. DIVIDENDS

Dividends recognised and paid by the Company are as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
In respect of financial year ended 31 March 2020		
Interim single-tier dividend of 6.0 sen per share	–	180,837
Final single-tier dividend of 7.3 sen per share	219,696	–
In respect of financial year ended 31 March 2019		
Final single-tier dividend of 15.0 sen per share	–	452,128
	219,696	632,965
Proposed but not recognised as a liability:		
In respect of financial year ended 31 March 2020		
Final single-tier dividend of 7.3 sen per share	–	220,035

Dividends paid by the Company's subsidiary to non-controlling interests amounted to RM95,510,000 during the financial year ended 31 March 2021 (2020: RM83,810,000).

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 16.

(ii) Associates and joint ventures

Details of associates and joint ventures are disclosed in Note 17.

(iii) Key management personnel ("KMP")

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly. The key management personnel of the Group and of the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries of the Group (including close member of their families).

(iv) Companies in which certain Directors have substantial financial interest

These are entities in which significant voting power in such entities, either directly or indirectly, resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies in which certain directors have substantial financial interest		Companies which have significant influence over the Group	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group										
Income										
Interest on loans, advance and financing	–	–	12,106	16,842	241	361	5,545	8,503	–	–
Bancassurance commission	–	–	10,497	16,204	–	–	–	–	–	–
Fee income	–	–	544	207	38	5	4	95	–	–
Gain/(Loss) on derivatives	–	–	–	–	–	–	–	–	19,939	(46,805)
Foreign exchange (loss)/gain	–	–	–	–	–	–	–	–	(3,448)	2,298
	–	–	23,147	33,253	279	366	5,549	8,598	16,491	(44,507)
Expenses										
Interest on deposits	–	–	129	78	1,196	2,052	940	428	–	–
Customer loyalty awards	–	–	2,858	4,404	–	–	–	–	–	–
Rental of premises	–	–	–	8,374	–	–	321	340	–	–
Storage	–	–	22	20	–	–	–	–	–	–
Utilities and miscellaneous expenses	–	–	352	1,015	–	–	–	–	–	–
Insurance premium	–	–	33,853	26,953	–	–	–	–	–	–
Training expenses	–	–	–	–	–	–	582	544	–	–
Travelling	–	–	–	–	–	–	138	2,533	–	–
	–	–	37,214	40,844	1,196	2,052	1,981	3,845	–	–
Company										
Income										
Interest on deposits	6,550	5,247	–	–	–	–	–	–	–	–
Dividend income from subsidiaries	354,260	851,836	–	–	–	–	–	–	–	–
Other income	208	217	–	–	–	–	–	–	–	–
	361,018	857,300	–	–	–	–	–	–	–	–
Expenses										
Service transfer pricing expenses (net)	16,059	18,662	–	–	–	–	–	–	–	–

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies in which certain directors have substantial financial interest		Companies which have significant influence over the Group	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group										
Assets:										
Loans, advances and financing	–	–	355,544	370,025	7,701	8,381	73,029	300,632	–	–
Amount due from related companies	–	–	10,018	7,086	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	–	–	16,185	5,309
Other assets	–	–	3	41	–	–	–	–	44,346	63,855
Right-of-use assets	–	–	62,619	99,344	–	–	–	–	–	–
	–	–	428,184	476,496	7,701	8,381	73,029	300,632	60,531	69,164
Liabilities:										
Deposits and placements	–	–	37,233	26,848	61,003	64,124	26,495	255,216	7,662	18,573
Derivative financial liabilities	–	–	–	–	–	–	–	–	54,506	60,121
Other liabilities	–	–	12,555	7,753	–	–	–	–	–	–
Lease liabilities	–	–	65,539	100,279	–	–	–	–	–	–
	–	–	115,327	134,880	61,003	64,124	26,495	255,216	62,168	78,694
Commitments and contingencies										
Contingent liabilities	–	–	2,480	2,480	–	–	–	–	88,276	101,973
Commitments	–	–	34,000	51,320	7,905	5,937	219,500	42,500	1,053,609	1,339,697
Contract/notional amount for derivatives	–	–	–	–	–	–	–	–	4,565,435	1,721,175
	–	–	36,480	53,800	7,905	5,937	219,500	42,500	5,707,320	3,162,845
Company										
Assets:										
Cash and short-term funds	689,326	322,262	–	–	–	–	–	–	–	–
Amount due from related companies	1,832,618	–	240	221	–	–	–	–	–	–
	2,521,944	322,262	240	221	–	–	–	–	–	–
Liabilities:										
Amount owing to related companies	283	14,137	–	–	–	–	–	–	–	–

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) There were no granting of loans to the Directors of the Company other than in the normal course of business of the Group and of the Company. Loans made to Directors and other key management personnel of the Group are on similar terms and conditions generally available to other employees within the Group. No provisions have been recognised in respect of loans given to directors and key management personnel.

(d) The Company incurs intercompany charges for shared operating costs of the Group in Malaysia as disclosed under service transfer pricing expenses. The services received relate to expenses incurred for group shared services in respect of key management personnel costs, internal audit, finance, human resource, marketing and communications, legal, company secretarial, organisation and development and information systems.

(e) Key management personnel compensation

The remuneration of Directors of the Company and other key management personnel during the financial year are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
Fees	2,374	2,112	1,614	1,439
Salary and other remuneration	2,895	2,801	2,282	2,250
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	45	58	21	17
Total short-term employee benefits	5,314	4,971	3,917	3,706
Other key management personnel:				
Salary and other remuneration	32,640	31,305	–	–
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	8,951	6,111	–	–
Total short-term employee benefits	41,591	37,416	–	–

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	2021	2020
Outstanding credit exposures with connected parties (RM'000)	6,443,708	5,389,736
Percentage of outstanding credit exposures to connected parties: as a proportion of total credit exposures (%)	5.03	4.18

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014.

Based on these guidelines, a connected party refers to the following:

(i) Directors of AmBank, AmInvestment Bank and AmBank Islamic ("the Banks") and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Banks, and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Banks and their connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and corporate bonds and/or sukuk issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

44. FIDUCIARY DUTY

(a) In respect of investment portfolio management

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2021 amounted to RM57,100,842,000 (2020: RM49,978,666,000).

(b) In respect of monies in trust

Monies in trust in relation to the Group's stockbroking and futures businesses excluded from the statements of financial position in accordance with Financial Reporting Standards Implementation Committee Consensus 18 *Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad* ("FRSIC 18"):

	Group	
	2021 RM'000	2020 RM'000
Clients' trust balances and dealers' representative balances	547,834	375,873
Remisiers' trust balances	37,421	23,851
	585,255	399,724

Monies held in trust in relation to the Group's fund management business excluded from the statements of financial position:

	Group	
	2021 RM'000	2020 RM'000
Monies from unprocessed sale of unit trust funds	24,561	18,884

45. CAPITAL COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	22,561	31,192
Purchase of furniture and fittings, office equipment and renovation	391	193
Leasehold improvements	5,493	13,488
	28,445	44,873
Authorised but not contracted for:		
Purchase of computer equipment and software	52,987	103,941
Purchase of furniture and fittings, office equipment and renovation	4	–
	52,991	103,941
	81,436	148,814

46. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the banking subsidiaries of the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the principal amounts of commitments and contingencies and notional contracted amounts of derivatives are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,722,506	16,873,188
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,018,731	2,056,411
Unutilised credit card lines	5,151,236	5,127,590
Forward asset purchases	894,498	1,989,103
	25,786,971	26,046,292
Contingent Liabilities		
Direct credit substitutes	2,113,258	2,553,489
Transaction related contingent items	4,303,726	4,286,704
Obligations under underwriting agreements	–	20,000
Short-term self-liquidating trade-related contingencies	694,409	723,120
	7,111,393	7,583,313
Derivative Financial Instruments		
Interest/Profit rate related contracts:	45,754,858	53,347,175
One year or less	13,551,363	10,348,960
Over one year to five years	27,165,318	36,463,230
Over five years	5,038,177	6,534,985
Foreign exchange related contracts:	56,479,420	44,371,910
One year or less	47,993,667	34,805,859
Over one year to five years	7,097,188	8,625,327
Over five years	1,388,565	940,724
Credit related contracts:	347,950	356,069
One year or less	347,950	–
Over one year to five years	–	356,069
Equity and commodity related contracts:	1,519,073	1,769,895
One year or less	1,434,391	1,637,855
Over one year to five years	84,682	132,040
	104,101,301	99,845,049
	136,999,665	133,474,654

46. COMMITMENTS AND CONTINGENCIES (CONT'D.)

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company has given an unsecured guarantee amounting to RM50.0 million (2020: RM50.0 million) on behalf of AmInvestment Bank Berhad ("AmInvestment Bank"), for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc. in respect of its futures trading activity with AmInvestment Bank.

(b) AmMetLife Insurance Berhad ("AmMetLife") had received complaints from policyholders relating to the alleged mis-selling of certain insurance product of AmMetLife in previous years. AMAB Holdings Sdn Bhd ("AMAB Holdings") and MetLife International Holdings, Inc ("MetLife") have jointly resolved this matter amicably with the affected policyholders.

Under the terms for the sale of AmMetLife's shares by AMAB Holdings to MetLife, the Group would fully indemnify MetLife or AmMetLife from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

This indemnity given by AMAB Holdings to MetLife in relation to the mis-selling of certain insurance products of AmMetLife had expired on 30 April 2021. Moving forward, this matter will no longer be a commitment and/or contingency of the Group.

(c) The Malaysia Competition Commission ("MyCC")'s Proposed Decision against Persatuan Insurans Am Malaysia ("PIAM") and its 22 members (including AmGeneral Insurance Berhad, a subsidiary).

On 25 September 2020, AmGeneral Insurance Berhad ("AmGeneral") received the Notice of Finding of an infringement by the Competition Commission ("the Commission") under section 40 of the Competition Act 2010 ("CA 2010").

Pursuant to section 40 of CA 2010, the Commission has determined that PIAM and its 22 members have infringed the prohibition under section 4 of CA 2010 by participating in an agreement that significantly prevents, restricts or distorts competition in relation to PIAM Approved Repairers Scheme.

The penalty imposed of RM13.7 million was lower than the initial proposed decision by MyCC since 27 February 2017 of RM45.2 million.

On 13 October 2020, AmGeneral submitted a Notice of Appeal to MyCC pursuant to Section 51 of the CA and on 23 October 2020, submitted an Application for Stay to the Competition Appeal Tribunal pursuant to Section 53 of the CA. On 23 March 2021, the Tribunal unanimously decided to grant a stay of the financial penalties pending the disposal of the appeal.

(d) On 9 December 2019, the Company and its wholly-owned subsidiary, AmBank Islamic were served with a writ and statement of claim by Dato' Sri Mohd Najib bin Hj Abd Razak ("Plaintiff"). In this action, the Plaintiff is seeking damages in relation to the conduct of his current accounts opened with AmBank Islamic.

The Company and AmBank Islamic have been advised by the solicitors that the allegations are not sustainable and AmBank Islamic and the Company have a strong defence.

On 28 September 2020, the High Court struck out the Plaintiff's suit against AmBank Islamic and the Company. The Plaintiff has filed an appeal against the High Court's decision. Court of Appeal has fixed 3 August 2021 for hearing.

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2021			
ASSETS			
Cash and short-term funds	18,809,478	–	18,809,478
Deposits and placements with banks and other financial institutions	103,028	–	103,028
Derivative financial assets	375,880	915,310	1,291,190
Financial assets at fair value through profit or loss	5,828,383	3,733,591	9,561,974
Financial investments at fair value through other comprehensive income	4,956,126	12,830,072	17,786,198
FInancial investments at amortised cost	74,971	4,117,453	4,192,424
Loans, advances and financing	28,519,992	83,958,327	112,478,319
Statutory deposits with Bank Negara Malaysia	–	425,278	425,278
Deferred tax assets	–	134,350	134,350
Investment in associates and joint ventures	–	588,937	588,937
Other assets	2,219,530	221,906	2,441,436
Reinsurance assets and other insurance receivables	292,613	140,071	432,684
Property and equipment	–	215,934	215,934
Right-of-use assets	–	270,753	270,753
Intangible assets	–	1,443,947	1,443,947
Assets held for sale	2,324	–	2,324
TOTAL ASSETS	61,182,325	108,995,929	170,178,254
LIABILITIES			
Deposits from customers	119,079,185	1,464,001	120,543,186
Investment accounts of customers	94,834	–	94,834
Deposits and placements of banks and other financial institutions	8,877,958	1,042,929	9,920,887
Securities sold under repurchase agreements	810,171	–	810,171
Recourse obligation on loans and financing sold to Cagamas Berhad	6,550,012	725,006	7,275,018
Derivative financial liabilities	392,422	877,387	1,269,809
Term funding	912,505	837,365	1,749,870
Debt capital	–	4,295,000	4,295,000
Redeemable cumulative convertible preference share	–	238,713	238,713
Deferred tax liabilities	–	19,669	19,669
Other liabilities	5,003,889	887,842	5,891,731
Insurance contract liabilities and other insurance payables	1,669,137	809,870	2,479,007
TOTAL LIABILITIES	143,390,113	11,197,782	154,587,895

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. (cont'd.)

Group	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2020			
ASSETS			
Cash and short-term funds	15,611,728	–	15,611,728
Deposits and placements with banks and other financial institutions	98,845	–	98,845
Derivative financial assets	797,152	1,280,129	2,077,281
Financial assets at fair value through profit or loss	8,846,595	3,699,262	12,545,857
Financial investments at fair value through other comprehensive income	5,862,495	13,860,406	19,722,901
FInancial investments at amortised cost	586,475	4,266,338	4,852,813
Loans, advances and financing	26,081,637	79,869,293	105,950,930
Statutory deposits with Bank Negara Malaysia	–	489,006	489,006
Deferred tax assets	–	51,457	51,457
Investment in associates and joint ventures	–	699,275	699,275
Other assets	2,546,158	263,276	2,809,434
Reinsurance assets and other insurance receivables	312,604	145,302	457,906
Property and equipment	–	254,144	254,144
Right-of-use assets	–	317,679	317,679
Intangible assets	–	3,261,506	3,261,506
Assets held for sale	2,324	–	2,324
TOTAL ASSETS	60,746,013	108,457,073	169,203,086
LIABILITIES			
Deposits from customers	110,435,385	2,531,327	112,966,712
Investment accounts of customers	208,726	–	208,726
Deposits and placements of banks and other financial institutions	9,785,774	236,147	10,021,921
Securities sold under repurchase agreements	6,352,709	–	6,352,709
Recourse obligation on loans and financing sold to Cagamas Berhad	3,665,015	1,475,008	5,140,023
Derivative financial liabilities	650,110	1,309,993	1,960,103
Term funding	887,459	1,614,280	2,501,739
Debt capital	–	3,745,000	3,745,000
Redeemable cumulative convertible preference share	–	231,311	231,311
Deferred tax liabilities	–	69,720	69,720
Other liabilities	3,526,738	439,180	3,965,918
Insurance contract liabilities and other insurance payables	1,668,404	810,760	2,479,164
TOTAL LIABILITIES	137,180,320	12,462,726	149,643,046

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. (cont'd.)

Company	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2021			
ASSETS			
Cash and short-term funds	689,326	–	689,326
Financial assets at fair value through profit or loss	–	1,104	1,104
Investment in subsidiaries and other investments	–	10,407,425	10,407,425
Other assets	1,833,358	–	1,833,358
Property and equipment	–	1	1
TOTAL ASSETS	2,522,684	10,408,530	12,931,214
LIABILITIES			
Other liabilities	2,357,422	515,000	2,872,422
TOTAL LIABILITIES	2,357,422	515,000	2,872,422

Company	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2020			
ASSETS			
Cash and short-term funds	322,262	–	322,262
Financial assets at fair value through profit or loss	–	1,078	1,078
Investment in subsidiaries and other investments	–	9,627,425	9,627,425
Other assets	1,571	–	1,571
Property and equipment	–	332	332
TOTAL ASSETS	323,833	9,628,835	9,952,668
LIABILITIES			
Other liabilities	46,974	–	46,974
TOTAL LIABILITIES	46,974	–	46,974

48. CAPITAL MANAGEMENT

The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements; and
(b) Capital requirement to support business growth, strategic objectives, buffer for material risks not captured under regulatory capital requirements and stress test results.

48. CAPITAL MANAGEMENT (CONT'D.)

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. They help to estimate potential future losses arising from credit, market and other material risks, and supplement the regulatory formulae to simulate the amount of capital required to support them.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but probable scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The capital that the Group is required to hold is determined by its risk exposures after applying collaterals and other risk mitigants. BNM has the right to impose further capital requirements on Malaysian financial institutions.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Assets and Liabilities Committee ("GALCO"). The GALCO is also responsible for managing the Group's statement of financial position, capital and liquidity positions.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board. The Risk Management Committee ("RMC") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels.

On 25 March 2020, BNM announced several regulatory and supervisory measures in support of efforts by banking institutions to manage the impact of the COVID-19 outbreak, which include allowing banking institutions to drawdown on the capital conservation buffer of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions will be given reasonable time to rebuild the buffers after 31 December 2020 and are expected to restore to the minimum regulatory requirement by 30 September 2021.

On 9 December 2020, BNM issued revised policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). The key addition to the revised policy documents is the transitional arrangements for financial institutions on provisions for expected credit loss ("ECL"). Under these revised policy documents, a financial institution is allowed to add back the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital.

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows:

	2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Under transitional arrangements, refer Note (1) below				
Before deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.146%	27.374%	11.333%
Total Capital Ratio	15.650%	16.661%	27.374%	14.481%
After deducting proposed dividends:				
CET1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Tier 1 Capital Ratio	11.095%	12.038%	27.374%	11.333%
Total Capital Ratio	15.650%	16.553%	27.374%	14.481%

48. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows: (cont'd.)

	2020			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	12.220%	11.165%	40.638%	12.642%
Tier 1 Capital Ratio	12.220%	11.165%	40.638%	12.642%
Total Capital Ratio	16.769%	15.950%	41.076%	15.998%
After deducting proposed dividends:				
CET1 Capital Ratio	12.046%	11.165%	37.161%	12.440%
Tier 1 Capital Ratio	12.046%	11.165%	37.161%	12.440%
Total Capital Ratio	16.595%	15.950%	37.600%	15.796%

Notes:

(1) The capital adequacy ratios of the Group as at 31 March 2020 were computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's policy document on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

Pursuant to the revised BNM policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios computed as at 31 March 2021 had applied the transitional arrangements on provision for ECL. Under the transitional arrangements, the Group is allowed to add back the amount of loss allowance for non-credit-impaired exposure (i.e. Stage 1 and Stage 2 provisions) to CET1 Capital. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries are as follows:

	2021			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.687%	27.374%	10.423%
Total Capital Ratio	15.378%	15.631%	27.374%	14.135%
After deducting proposed dividends:				
CET1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Tier 1 Capital Ratio	10.415%	10.580%	27.374%	10.423%
Total Capital Ratio	15.378%	15.523%	27.374%	14.135%

48. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows: (cont'd.)

Notes: (cont'd.)

(2) The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to Section 112(3) of the FSA or Section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

(3) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued, financial institutions are required to maintain minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital ratio at all times. In addition, financial institutions are also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%;
(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking institutions have credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies for exposures in Malaysia; and
(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("D-SIB").

(b) Should the Private Placement disclosed in Note 28 completed as at current financial year, the capital adequacy ratios of the Group would be as follows:

	Group
Had the transitional arrangements refer Note (1) above been applied,	
CET1 Capital Ratio	12.040%
Tier 1 Capital Ratio	12.041%
Total Capital Ratio	15.184%
Had the transitional arrangements refer Note (1) above not been applied,	
CET1 Capital Ratio	11.132%
Tier 1 Capital Ratio	11.132%
Total Capital Ratio	14.841%

48. CAPITAL MANAGEMENT (CONT'D.)

(c) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital [Note 1]	2,590,465	1,387,107	330,000	5,551,557
Retained earnings	5,591,998	2,341,323	35,695	7,876,333
Fair value reserve	457,552	43,972	1,539	691,067
Foreign exchange translation reserve	88,443	–	–	94,992
Treasury shares	–	–	–	(20,970)
Cash flow hedging deficit	(16,949)	–	–	(16,949)
Other remaining disclosed reserves	–	–	–	67,778
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(254,134)	(718)	(1,872)	(257,225)
Deferred tax assets	(95,580)	(62,877)	(5,841)	(157,666)
55% of cumulative gains in fair value reserve	(251,654)	(24,185)	(846)	(380,087)
Cash flow hedging deficit	16,949	–	–	16,949
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,197)	(183)	–	(1,254)
Other CET1 regulatory adjustments specified by BNM	529,759	502,728	–	1,032,479
CET1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,512**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	445
Tier 1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,957**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,759,714
General provisions*	555,618	256,523	3	812,060
Tier 2 Capital	**3,550,618**	**1,556,523**	**3**	**3,571,774**
Total Capital	**12,197,782**	**5,743,690**	**308,869**	**16,431,731**

The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:

	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 1 On 30 March 2021, AmBank and AmInvestment Bank increased its issued and paid-up ordinary share capital by RM650.0 million and RM130.0 million through the issuance of 66,394,280 and 114,035,088 new ordinary shares respectively. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of AmBank and AmInvestment Bank.

* Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.

48. CAPITAL MANAGEMENT (CONT'D.)

(c) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (cont'd.)

	2020			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,380,683	2,148,410	313,545	11,557,241
Fair value reserve	368,847	56,249	999	616,558
Foreign exchange translation reserve	99,587	–	–	108,667
Treasury shares	–	–	–	(26,916)
Regulatory reserve	311,003	71,612	4,912	387,528
Cash flow hedging deficit	(28,155)	–	–	(28,155)
Other remaining disclosed reserves	–	–	–	40,572
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(264,492)	(1,034)	(1,116)	(277,233)
Deferred tax assets	(33,439)	–	(7,179)	(23,114)
55% of cumulative gains in fair value reserve	(202,866)	(30,937)	(550)	(339,107)
Cash flow hedging deficit	28,155	–	–	28,155
Regulatory reserve	(311,003)	(71,612)	(4,912)	(387,528)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,086)	(148)	–	(1,154)
CET1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,426**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	458
Tier 1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,884**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,420,697
General provisions*	858,821	375,600	4,916	1,237,269
Tier 2 Capital	**3,453,821**	**1,525,600**	**4,916**	**3,657,966**
Total Capital	**12,733,032**	**5,085,247**	**460,806**	**17,438,850**

The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	68,705,693	30,960,556	841,125	99,174,151
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(912,582)	–	(192,639)
Total Credit RWA	68,705,693	30,047,974	841,125	98,981,512
Market RWA	2,351,627	294,650	17,004	3,176,949
Operational RWA	4,217,469	1,539,751	263,707	6,191,409
Large exposure risk RWA for equity holdings	657,669	–	–	658,015
Total RWA	**75,932,458**	**31,882,375**	**1,121,836**	**109,007,885**

* Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.

49. RISK MANAGEMENT

49.1 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the Group to set its risk/reward profile.

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/enhancements taking into consideration the prevailing or in anticipation of challenges to the environment that the Group operates in.

The Risk Appetite Framework provides portfolio limits/controls for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Technology Risk incorporating, inter alia, limits/controls for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and Operational Risk Management ("ORM") tools.

The Group Risk Direction

The Group's FY2021 – 2024 Strategy blueprint is to focus on 8 key areas, namely, (1) Attaining a Return on Equity ("ROE") of ≥10%, (2) Sharpening Our Segment Play, (3) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance ("ESG") Considerations into Our Business and (8) Exploring Digital Bank.

1. The Group aspires to maintain the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").

2. The Group aims to maintain a minimum ROCE of 12% and an RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").

3. The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").

4. The Group recognises the importance of funding its own business. It aims to maintain the following:
    a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
    b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
    c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective July 2020).

5. The Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.

6. The Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
    a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
    b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

The Board is ultimately accountable for the management of risks within the Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks including but not limited to market risk, liquidity risk, credit risk, operational risk and IT and Cyber risk.

The Board has also established Management Committees to assist in managing the risks and businesses of the Group. The management committees address all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT project risk.

49. RISK MANAGEMENT

49.1 General Risk Management (cont'd.)

Risk Management Governance (cont'd.)

The Group has an independent risk management function, headed by the Group Chief Risk Officer who:

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology and emerging risks;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the Risk Management Committee, has access to the Board and the Boards of the respective banking subsidiaries to facilitate suitable escalation of issues of concern across the organisation.

Impact of COVID-19

Risk management is an integral part of the Group's culture and is embedded within its business, operations and decision making processes. The Group as a sustainable-conscious organisation has implemented various progressive measures through the Crisis Management Programme following the Movement Control Order ("MCO") implemented nationwide arising from the COVID-19 pandemic, namely:

- engaging technology capabilities while keeping cybersecurity risk in-check, given the permissible higher levels of remote access to data and core systems; and
- ensuring key services to customers remain available throughout the period while taking precautions to ensure compliance with the MCO requirements.

The Group welcomed the stimulus plan announced by the Government as relief had been provided to both individuals as well as SMEs and had announced a 24-hour turnaround time for Special Relief Fund applications for SMEs, a scheme largely guaranteed by the Government.

Although some risks within the portfolio has begin emerging post the auto-moratorium period, especially in Retail Banking, the effects of the efforts put in to reach out to customers during the moratorium is seen. The Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

The Group has been continuously engaging our SME customers through multiple channels and have been encouraging them to reach out to the banking subsidiaries if assistance is needed. We have also carried out reviews on our customers, especially those in vulnerable sectors and segments, to ascertain if immediate assistance is required. On-going monitoring of the performance of the larger SMEs is also in place.

Various packages have been set out to mitigate credit risk performance arising from the COVID-19 global pandemic post the completion of the government's auto-moratorium period. These will be offered to performing customers with a minimum banking vintage relationship with the banking subsidiaries and includes:

(1) Reduction of repayment commitments:

   a) Step-up repayment whilst maintaining the tenure; or
   b) Extension of tenure

(2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants and aviation) has also been undertaken.

Group Risk Management as a whole is working towards monitoring, mitigating and addressing the fast-moving and unknown variables of the COVID-19 outbreak to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assesment criteria and acceptance criteria (program lending)
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk. Please refer to Note 49.9 for discussion on Shariah Governance Structure.

The primary objective of credit risk management is to maintain accurate risk recognition – identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework ("GRAF") and related credit policies.

For non-retail credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the banking subsidiaries' credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the banking subsidiaries' credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan/financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and internal limits designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing;
- Non-Retail Credit Policy ("NRCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing; and
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

Exposure outside the approval discretions of individual Credit Approval Delegation ("CAD") holders are escalated to the Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds a stipulated customer group threshold within the Group, the letter of offer shall not be issued until the credit is reviewed by the Board Credit Committee ("BCC"). Portfolio credit risk is reported to the relevant management and board committees.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/financing portfolio and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policies or guidelines.

Group Risk Management prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairment, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly to executive management and to all meetings of the Board.

Maximum Credit Risk Exposure and Concentration

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised on the statements of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis

Group	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
2021								
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	21,657	125,850	120,853	–	311	2,470	1,285	271,826
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	42,154	115,985	–	–	176,286	–	66,773	401,198
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	–	375,167	29,358	986,245	964,607	488,923	91,627	2,935,927
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	94,834	–	–	381,382	1,682,260	–	92,162	2,253,638
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	94,834	–	–	381,382	1,682,260	–	92,162	2,253,638
Loans, advances and financing								
Hire purchase	515	397	10,551	667	9,605	68,911	9,489	100,135
Mortgage	5,954	2,380	44,016	3,503	53,338	76,837	12,810	198,838
Credit card	–	–	–	–	–	–	–	–
Other loans, advances and financing	126,185	47,772	681,999	80,501	726,819	1,418,885	239,742	3,321,903
Corporate loans, advances and financing								
Term loans and bridging loans	1,475,249	2,691,857	6,470,469	199,477	1,003,145	3,322,761	3,026,492	18,189,450
Revolving credits	696,013	149,089	1,705,397	749,952	1,280,733	374,204	514,067	5,469,455
Overdrafts	142,503	26,947	603,013	98,401	826,631	685,085	130,107	2,512,687
Trade	217,158	20,893	5,132,039	83,988	816,640	3,015,064	542,537	9,828,319
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,663,577	2,939,335	14,647,484	1,216,489	4,716,911	8,961,747	4,475,244	39,620,787
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	547	5,706	8,751	31,061	68,230	2,470	4,117	120,882
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	547	5,706	8,751	31,061	68,230	2,470	4,117	120,882
	2,822,769	3,562,043	14,805,846	2,615,177	7,608,605	9,455,610	4,734,208	45,604,258
Commitments	5,138,469	222,740	3,547,717	138,748	2,923,900	2,087,731	483,661	14,542,966
Contingent liabilities	1,406,768	435,526	869,873	475,092	2,665,962	326,985	158,800	6,339,006
Total commitments and contingent liabilities	6,545,237	658,266	4,417,590	613,840	5,589,862	2,414,716	642,461	20,881,972

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	Subtotal from previous page RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Allowances for ECL RM'000	Total RM'000
2021										
Cash and short-term funds	–	5,247,287	13,564,522	–	–	–	–	–	(2,331)	18,809,478
Deposits and placements with banks and other financial institutions	–	103,070	–	–	–	–	–	–	(42)	103,028
Derivative financial assets	271,826	988,906	–	727	10,303	95	3,492	15,841	–	1,291,190
Financial assets at fair value through profit or loss										
Money market securities	–	84,892	4,031,457	–	–	–	–	–	–	4,116,349
Quoted corporate bonds and sukuk	–	37,538	–	–	–	–	–	–	–	37,538
Unquoted corporate bonds and sukuk	401,198	1,151,865	740,028	219,562	–	–	–	1,615,218	–	4,127,871
Financial investments at fair value through other comprehensive income										
Money market securities	–	449,416	7,211,933	–	–	–	–	–	–	7,661,349
Unquoted corporate bonds and sukuk	2,935,927	3,110,540	1,716,902	264,885	99,999	10,009	–	1,299,795	–	9,438,057
Financial investments at amortised cost										
Money market securities	–	–	402,577	–	–	–	–	–	–	402,577
Unquoted corporate bonds and sukuk	2,253,638	770,603	284,736	245,299	25,000	–	–	221,401	–	3,800,677
Allowances for ECL	–	–	–	–	–	–	–	–	(10,830)	(10,830)
Total financial investments at amortised cost	2,253,638	770,603	687,313	245,299	25,000	–	–	221,401	(10,830)	4,192,424
Loans, advances and financing										
Hire purchase	100,135	510	–	1,296	24,472	3,110	13,082,621	–	–	13,212,144
Mortgage	198,838	5,622	–	92,445	82,434	21,823	39,710,697	–	–	40,111,859
Credit card	–	–	–	–	11,009	–	2,536,186	–	–	2,547,195
Other loans, advances and financing	3,321,903	23,984	–	432,034	566,945	119,758	4,971,303	–	–	9,435,927
Corporate loans, advances and financing										
Term loans and bridging loans	18,189,450	427,606	–	4,784,320	1,394,989	658,263	383,840	–	–	25,838,468
Revolving credits	5,469,455	1,687,472	–	2,157,237	175,965	96,981	842,094	25,775	–	10,454,979
Overdrafts	2,512,687	28,225	–	222,420	142,993	75,191	88,718	–	–	3,070,234
Trade	9,828,319	149,780	–	33,783	28,476	47,344	–	–	–	10,087,702
Allowances for ECL	–	–	–	–	–	–	–	–	(2,280,189)	(2,280,189)
Total loans, advances and financing	39,620,787	2,323,199	–	7,723,535	2,427,283	1,022,470	61,615,459	25,775	(2,280,189)	112,478,319
Statutory deposits with Bank Negara Malaysia	–	–	425,278	–	–	–	–	–	–	425,278
Other financial assets	120,882	997,966	239,046	35,387	114,008	280	90,301	367,221	–	1,965,091
Allowances for ECL	–	–	–	–	–	–	–	–	(6,604)	(6,604)
Total other financial assets	120,882	997,966	239,046	35,387	114,008	280	90,301	367,221	(6,604)	1,958,487
	45,604,258	15,265,282	28,616,479	8,489,395	2,676,593	1,032,854	61,709,252	3,545,251	(2,299,996)	164,639,368
Commitments	14,542,966	933,741	1,393,147	641,573	222,787	4,984,914	3,007,825	60,018	–	25,786,971
Contingent liabilities	6,339,006	118,091	282,318	191,457	171,253	9,268	–	–	–	7,111,393
Total commitments and contingent liabilities	20,881,972	1,051,832	1,675,465	833,030	394,040	4,994,182	3,007,825	60,018	–	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
2020 (Restated)								
Cash and short-term funds	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–
Derivative financial assets	22,788	161,992	122,505	–	555	7,862	269,672	585,374
Financial assets at fair value through profit or loss								
Money market securities	–	–	–	–	–	–	–	–
Quoted corporate bonds and sukuk	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	112,173	62,426	–	5,011	171,598	–	–	351,208
Financial investments at fair value through other comprehensive income								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	15,630	724,745	13,379	1,005,864	668,336	501,473	819,706	3,749,133
Financial investments at amortised cost								
Money market securities	–	–	–	–	–	–	–	–
Unquoted corporate bonds and sukuk	94,702	–	–	106,550	2,034,365	–	169,692	2,405,309
Allowances for ECL	–	–	–	–	–	–	–	–
Total financial investments at amortised cost	94,702	–	–	106,550	2,034,365	–	169,692	2,405,309
Loans, advances and financing								
Hire purchase	732	357	7,137	169	9,622	61,395	8,242	87,654
Mortgage	6,917	2,433	54,925	2,330	57,644	85,501	11,154	220,904
Credit card	–	–	–	–	–	–	–	–
Other loans, advances and financing	116,585	38,119	649,159	17,403	570,055	1,175,547	144,030	2,710,898
Corporate loans, advances and financing								
Term loans and bridging loans	1,665,580	2,278,824	5,536,993	314,275	833,407	2,103,983	2,331,289	15,064,351
Revolving credits	766,099	102,662	1,737,263	500,913	1,580,298	449,001	501,504	5,637,740
Overdrafts	180,757	22,889	718,136	6,998	962,919	829,048	130,023	2,850,770
Trade	228,970	45,583	4,671,094	10,331	852,227	2,986,651	428,146	9,223,002
Allowances for ECL	–	–	–	–	–	–	–	–
Total loans, advances and financing	2,965,640	2,490,867	13,374,707	852,419	4,866,172	7,691,126	3,554,388	35,795,319
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–
Other financial assets	1,464	6,858	5,208	26,470	67,961	1,734	18,054	127,749
Allowances for ECL	–	–	–	–	–	–	–	–
Total other financial assets	1,464	6,858	5,208	26,470	67,961	1,734	18,054	127,749
	3,212,397	3,446,888	13,515,799	1,996,314	7,808,987	8,202,195	4,831,512	43,014,092
Commitments	515,243	256,340	5,048,401	564,390	4,762,378	2,226,927	727,170	14,100,849
Contingent liabilities	80,803	630,785	1,269,661	552,423	3,036,205	626,022	208,964	6,404,863
Total commitments and contingent liabilities	596,046	887,125	6,318,062	1,116,813	7,798,583	2,852,949	936,134	20,505,712

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Group	Subtotal from previous page RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Allowances for ECL RM'000	Total RM'000
2020 (Restated)										
Cash and short-term funds	–	2,337,913	13,274,676	–	–	–	–	–	(861)	15,611,728
Deposits and placements with banks and other financial institutions	–	99,330	–	–	–	–	–	–	(485)	98,845
Derivative financial assets	585,374	1,473,490	–	1,670	1,882	191	1,279	13,395	–	2,077,281
Financial assets at fair value through profit or loss										
Money market securities	–	101,882	8,523,855	–	–	–	–	–	–	8,625,737
Quoted corporate bonds and sukuk	–	37,500	–	–	–	–	–	–	–	37,500
Unquoted corporate bonds and sukuk	351,208	921,592	160,031	209,709	–	–	–	1,598,638	–	3,241,178
Financial investments at fair value through other comprehensive income										
Money market securities	–	299,544	8,185,626	–	–	–	–	–	–	8,485,170
Unquoted corporate bonds and sukuk	3,749,133	2,866,873	2,286,548	413,730	–	10,165	–	1,317,732	–	10,644,181
Financial investments at amortised cost										
Money market securities	–	–	432,436	–	–	–	–	–	–	432,436
Unquoted corporate bonds and sukuk	2,405,309	770,706	757,207	245,351	25,000	–	–	221,718	–	4,425,291
Allowances for ECL	–	–	–	–	–	–	–	–	(4,914)	(4,914)
Total financial investments at amortised cost	2,405,309	770,706	1,189,643	245,351	25,000	–	–	221,718	(4,914)	4,852,813
Loans, advances and financing										
Hire purchase	87,654	482	–	2,068	8,769	4,888	12,968,573	–	–	13,072,434
Mortgage	220,904	8,480	–	96,228	104,536	63,186	35,910,153	–	–	36,403,487
Credit card	–	–	–	–	15,434	–	2,584,135	–	–	2,599,569
Other loans, advances and financing	2,710,898	43,076	–	352,044	625,333	277,298	3,404,855	–	–	7,413,504
Corporate loans, advances and financing										
Term loans and bridging loans	15,064,351	645,366	–	4,702,694	1,519,067	207,535	352,490	–	–	22,491,503
Revolving credits	5,637,740	2,205,033	–	2,690,760	260,269	293,552	1,006,882	26,443	–	12,120,679
Overdrafts	2,850,770	84,761	–	261,915	209,880	81,409	90,867	–	–	3,579,602
Trade	9,223,002	166,359	–	22,357	121,408	4,706	–	–	–	9,537,832
Allowances for ECL	–	–	–	–	–	–	–	–	(1,267,680)	(1,267,680)
Total loans, advances and financing	35,795,319	3,153,557	–	8,128,066	2,864,696	932,574	56,317,955	26,443	(1,267,680)	105,950,930
Statutory deposits with Bank Negara Malaysia	–	–	489,006	–	–	–	–	–	–	489,006
Other financial assets	127,749	1,496,547	148,573	44,115	31,209	419	51,476	472,529	–	2,372,617
Allowances for ECL	–	–	–	–	–	–	–	–	(8,152)	(8,152)
Total other financial assets	127,749	1,496,547	148,573	44,115	31,209	419	51,476	472,529	(8,152)	2,364,465
	43,014,092	13,558,934	34,257,958	9,042,641	2,922,787	943,349	56,370,710	3,650,455	(1,282,092)	162,478,834
Commitments	14,100,849	401,553	1,989,103	783,627	573,003	412,154	7,734,176	51,827	–	26,046,292
Contingent liabilities	6,404,863	180,480	–	606,562	218,064	172,240	1,104	–	–	7,583,313
Total commitments and contingent liabilities	20,505,712	582,033	1,989,103	1,390,189	791,067	584,394	7,735,280	51,827	–	33,629,605

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1a Industry Analysis (cont'd.)

Company	Finance and Insurance RM'000
2021	
Cash and short-term funds	689,326
Other financial assets	1,833,125
Total financial assets	2,522,451
2020	
Cash and short-term funds	322,262
Other financial assets	255
Total financial assets	322,517

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2021			
Cash and short-term funds	16,304,602	2,507,207	18,811,809
Less: Allowances for ECL	(1,280)	(1,051)	(2,331)
Total cash and short-term funds	16,303,322	2,506,156	18,809,478
Deposits and placements with banks and other financial institutions	103,070	–	103,070
Less: Allowances for ECL	(42)	–	(42)
Total deposits and placements with banks and other financial institutions	103,028	–	103,028
Derivative financial assets	1,031,019	260,171	1,291,190
Financial assets at fair value through profit or loss			
Money market securities	4,116,349	–	4,116,349
Quoted corporate bonds and sukuk	37,538	–	37,538
Unquoted corporate bonds and sukuk	4,127,871	–	4,127,871
Financial investments at fair value through other comprehensive income			
Money market securities	7,587,305	74,044	7,661,349
Unquoted corporate bonds and sukuk	9,391,913	46,144	9,438,057
Financial investments at amortised cost			
Money market securities	402,577	–	402,577
Unquoted corporate bonds and sukuk	3,800,677	–	3,800,677
Less: Allowances for ECL	(10,830)	–	(10,830)
Total financial investments at amortised cost	4,192,424	–	4,192,424
Loans, advances and financing			
Hire purchase	13,212,144	–	13,212,144
Mortgage	40,111,859	–	40,111,859
Credit card	2,547,195	–	2,547,195
Other loans, advances and financing	9,435,927	–	9,435,927
Corporate loans, advances and financing			
Term loans and bridging loans	25,289,489	548,979	25,838,468
Revolving credits	10,345,300	109,679	10,454,979
Overdrafts	3,070,234	–	3,070,234
Trade	10,087,702	–	10,087,702
Less: Allowances for ECL	(2,248,169)	(32,020)	(2,280,189)
Total loans, advances and financing	111,851,681	626,638	112,478,319
Statutory deposits with Bank Negara Malaysia	425,278	–	425,278
Other financial assets	1,704,667	260,424	1,965,091
Less: Allowances for ECL	(5,357)	(1,247)	(6,604)
Total other financial assets	1,699,310	259,177	1,958,487
Commitments	25,667,514	119,457	25,786,971
Contingent liabilities	7,069,948	41,445	7,111,393
Total commitments and contingent liabilities	32,737,462	160,902	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis (cont'd.)

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	14,564,051	1,048,538	15,612,589
Less: Allowances for ECL	–	(861)	(861)
Total cash and short-term funds	14,564,051	1,047,677	15,611,728
Deposits and placements with banks and other financial institutions	99,330	–	99,330
Less: Allowances for ECL	(485)	–	(485)
Total deposits and placements with banks and other financial institutions	98,845	–	98,845
Derivative financial assets	1,896,172	181,109	2,077,281
Financial assets at fair value through profit or loss			
Money market securities	8,625,737	–	8,625,737
Quoted corporate bonds and sukuk	37,500	–	37,500
Unquoted corporate bonds and sukuk	3,241,178	–	3,241,178
Financial investments at fair value through other comprehensive income			
Money market securities	8,485,170	–	8,485,170
Unquoted corporate bonds and sukuk	10,436,822	207,359	10,644,181
Financial investments at amortised cost			
Money market securities	432,436	–	432,436
Unquoted corporate bonds and sukuk	4,425,291	–	4,425,291
Less: Allowances for ECL	(4,914)	–	(4,914)
Total financial investments at amortised cost	4,852,813	–	4,852,813
Loans, advances and financing			
Hire purchase	13,072,434	–	13,072,434
Mortgage	36,403,487	–	36,403,487
Credit card	2,599,569	–	2,599,569
Other loans, advances and financing	7,413,504	–	7,413,504
Corporate loans, advances and financing			
Term loans and bridging loans	22,239,730	251,773	22,491,503
Revolving credits	11,994,964	125,715	12,120,679
Overdrafts	3,579,602	–	3,579,602
Trade	9,518,524	19,308	9,537,832
Less: Allowances for ECL	(1,253,820)	(13,860)	(1,267,680)
Total loans, advances and financing	105,567,994	382,936	105,950,930
Statutory deposits with Bank Negara Malaysia	489,006	–	489,006
Other financial assets	1,784,915	587,702	2,372,617
Less: Allowances for ECL	(3,674)	(4,478)	(8,152)
Total other financial assets	1,781,241	583,224	2,364,465
Commitments	25,892,117	154,175	26,046,292
Contingent liabilities	7,540,168	43,145	7,583,313
Total commitments and contingent liabilities	33,432,285	197,320	33,629,605

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1b Geographical Analysis (cont'd.)

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2021			
Cash and short-term funds	689,326	–	689,326
Other financial assets	1,833,125	–	1,833,125
	2,522,451	–	2,522,451

Company	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	322,262	–	322,262
Other financial assets	255	–	255
	322,517	–	322,517

Collateral and other credit enhancement

Collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. The collateral accepted for credit risk mitigation comprises financial collateral, real estate, other physical asset and guarantees.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

The Credit Risk Mitigation Policy is the internally recognised collateral framework. Any collateral that is not listed in the said policy or does not conform to the requirements outlined in that policy is not eligible for capital relief for regulatory capital purposes.

Processes for collateral management

The concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. Where a counterparty's corporate guarantor is rated better than the counterparty, the credit risk rating of the counterparty shall be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions.

Guarantee by a counterparty with lower rating than the borrower/customer is not recognised for credit risk mitigation purposes.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the tenure of the loan/financing, amortisation schedules and loan/financing covenants. These assist in managing credit risk and providing early warning signals to enable pre-emptive actions to protect the quality or recoverability of loan/financing assets.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are currently aligned to eight rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the Categories for Retail Banking

Risk Grade	Category	PD ranges	Description
1 to 6	Exceptionally Strong	0.0001% to 0.0737%	• Exceptionally good credit risk profile with exceptionally low PD of <0.0737%. • Exceptionally strong capacity and willingness to meet its financial commitments as evidenced by prompt repayment track record. • Exhibits high degree resilience to adverse development in view of its very established employment profile and track record.
7 to 12	Very Strong	0.0738% to 0.5942%	• Very good credit risk profile with very low PD of <0.5942%. • Very strong capacity and willingness to meet its financial commitments as evidenced by generally prompt repayment record. • Exhibits high degree resilience to adverse development in view of its established employment profile and track record.
13 to 14	Strong	0.5943% to 1.0159%	• Good credit risk profile with low PD of <1.0159%. • Exhibit willingness to meet its financial commitments as evidenced by good repayment track record. • Generally in position to withstand adverse development in view of its favourable employment profile and track record.
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile with acceptable PD of <2.2722%. • Adequate willingness to meet its financial commitments as evidenced by satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile with moderate PD of up to 4.1028%. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile with higher PD of up to 8.2931%. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions as generally evidenced by fair repayment track record. • Moderate employment profile and track record.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Retail Banking (cont'd.)

Risk Grade	Category	PD ranges	Description
21 to 24	Substandard	>=8.2932%	• Substandard credit risk profile with poor PD of >= 8.2932%. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record. • Unfavourable employment profile and track record.
99	Impaired	100%	• Impaired account. Classified as impaired as per the prevailing Group Classified Account Management ("CAM") Policy.

Description of the Categories for Non-Retail Banking

Credit Quality Classification	Definition
Exceptionally Strong	Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are: – Exceptionally solid and stable operating and financial performance; – Debt servicing capacity has been exceptionally strong over the long term; – All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future; and – Highly unlikely to be adversely affected by foreseeable events.
Very Strong	Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are: – Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk; and – Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are: – Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance; and – Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are: – Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/or operating performance; – Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity; and – Counterparty's financial and/or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Credit Quality (cont'd.)

Description of the Categories for Non-Retail Banking (cont'd.)

Credit Quality Classification	Definition
Moderate	Counterparties demonstrate limited operational and financial stability and may have a track record of fluctuating and poor earnings and profitability evidencing their past susceptibility to cyclical trends. The key characteristics are: – Capacity for timely fulfilment of financial obligations exists; – Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run; and – Overall credit quality may be more volatile within this category.
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are: – Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct; – Debt servicing capacity is marginal; – Often under strong, sustained competitive pressure; – Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium term; and – Significant changes and instability in senior management may be observed.
Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are: – Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct; – Current and expected debt servicing capacity is inadequate; – Financial solvency is questionable and/or financial structure is weak; – Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state; and – Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as "impaired" as per the CAM Policy for Credit Facility.

Impairment

The Group's CAM Policy and its corresponding Guidelines for the respective Line of Businesses are established to align with the MFRS and related BNM's policies/guidelines. In general, an asset is considered impaired when:-

a. the Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Group;
b. the obligor has breached its contractual payment obligations and past due for more than 90 days; and
c. other indicators stipulated in the CAM guidelines indicating the unlikeliness to repay are hit.

Where exposures are being restructured, such restructuring is guided by the definition and requirements of R&R provided by BNM Credit Risk Policy.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Group Provisioning Methodology

The Group's provisioning methodology complies with MFRS 9 where the Group recognises ECL at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about ECL.

MFRS 9 applies to all financial assets classified as amortised cost and FVOCI, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. The Group calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

(i) Stage 1: For performing financial instruments which credit risk had not been significantly increased since initial recognition.
(ii) Stage 2: For underperforming financial instruments which credit risk had significantly increased since initial recognition.
(iii) Stage 3: For financial instruments which are credit impaired.

Measurement of ECL

ECL can be assessed individually or collectively. Financial assets that are not individually significant or not individually credit impaired are collectively assessed. For financial assets that are individually significant, an assessment is performed to determine whether objective evidence of impairment exists individually.

Individual assessment is divided into two main processes – trigger assessment and measurement of impairment loss. Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment, i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value.

The following diagram summarises the impairment requirements under MFRS 9 (other than purchased or originated credit-impaired financial assets):

Changes in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below.

Significant increase in credit risk ("SICR")

The Group considers a financial instrument to have experienced a SICR when it is more than 30 days past due on its contractual payments or when a quantitative and qualitative analysis, based on the Group's historical experience, expert credit assessment and forward looking information indicates as such. The requirement is to calculate remaining lifetime ECL at the reporting date when the financial instrument experienced SICR, compared to 12-month ECL calculation when exposure was initially recognised.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Significant increase in credit risk ("SICR") (cont'd.)

(i) Quantitative

Each exposure is allocated to a credit risk grade at initial recognition based on a variety of data that is determined to be predictive of the risk of default and experienced credit judgement about the borrower. Factors determining credit risk grades vary depending on nature of exposures and type of borrowers. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. There are 4 risk bands i.e. low risk, medium risk, high risk and very high risk whereby movements to a poorer band may result in SICR.

(ii) Qualitative

The Group may determine that an exposure has undergone a significant increase in credit risk experiences using its expert credit risk judgement and where possible, relevant historical experience based on qualitative indicators specified by the Group's watchlist criteria that it considers as such and whose effect may not otherwise be fully reflected in quantitative analysis on a timely basis.

In relation to non-retail financial instruments, where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty borrower basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Wholesale Credit Risk team and Business Credit Risk team.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all financial instruments held by the Group.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is considered in default if its contractual payments is more than 90 days past due.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These include instances where:

– The borrower is in breach of non-financial covenant(s) for example guarantor is deceased or become of unsound mind or non compliance of security ratio;
– The borrower is insolvent;
– The borrower is in breach of financial covenant(s); or
– The borrower has ceased operations due to financial distress.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the EAD, PD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the following variables:

- Probability of Default;
- Loss Given Default; and
- Exposure At Default
  or
- Historical Loss Rates

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Credit risk grades are a primary input into the determination of PD term structure for exposures. If a counterparty or exposure migrates between rating grades, then this will lead to a change in associated PD. The Group collects performance and default information about its credit risk exposures analysed by portfolio.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan-to-Value ("LTV") ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discount factor.

EAD represents the expected exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Historical LR represents the past record of average loss experience for financial assets of similar classes.

Forward-looking information incorporated in the ECL models

The measurement of ECL also takes into account the expected credit condition over the remaining life of the financial assets. Forward-looking models are built based on statistical relationship established between Observed Default Rate ("ODR") and Macroeconomic variables ("MEVs").

This analysis includes the identification and calibration of relationships between changes in default rates and to the MEVs. Examples of key macroeconomic indicators include Gross Domestic Product ("GDP") growth, Kuala Lumpur Interbank Offered Rate ("KLIBOR"), and Consumer Price Index ("CPI").

3 scenarios are projected for forward-looking namely base case, optimistic and pessimistic which requires management judgement of the economic situation i.e. normal, bullish or downturn. A weightage is applied to the scenarios to produce an appropriate forward-looking ECL to best reflect the forward-looking economic outlook.

Key variables/assumptions for ECL calculation

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This involves establishing the forward-looking macroeconomic conditions into ECL as required under MFRS 9. The allowances for ECL are sensitive to the inputs used and economic assumptions underlying the estimate.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Key variables/assumptions for ECL calculation (cont'd.)

The following table shows the forecast of key economic variables used in forward-looking models for ECL calculations for financial year ended 31 March 2021 and 31 March 2020. (Yearly values = average of forecasted quarterly values).

31 March 2021

Macroeconomic Variable	ECL Scenario	Assigned Probabilities (%)	2021	2022	2023	2024	2025
Consumer Price Index (%)	Base Case	40%	1.84	2.46	2.28	2.00	1.80
	Optimistic	10%	2.06	2.56	2.39	2.10	1.89
	Pessimistic	50%	1.74	2.32	2.16	1.90	1.71
GDP Growth (%)	Base Case	40%	5.86	5.20	4.95	4.70	4.80
	Optimistic	10%	6.43	6.00	5.18	4.94	5.04
	Pessimistic	50%	(1.00)	4.63	4.70	4.47	4.56
House Price Index (%)	Base Case	40%	0.00	1.80	2.58	3.60	3.50
	Optimistic	10%	0.18	2.03	2.91	3.78	3.68
	Pessimistic	50%	(0.70)	1.35	2.35	3.42	3.33
USD/MYR Exchange Rate	Base Case	40%	4.09	4.02	3.95	4.13	4.15
	Optimistic	10%	4.03	3.96	3.88	3.92	3.95
	Pessimistic	50%	4.15	4.08	4.07	4.34	4.36
Brent Oil Price (USD/barrel)	Base Case	40%	59.93	58.25	58.00	51.00	50.00
	Optimistic	10%	62.92	61.16	60.90	53.55	52.50
	Pessimistic	50%	56.93	55.34	55.10	48.45	47.50

31 March 2020

Macroeconomic Variable	ECL Scenario	Assigned Probabilities (%)	2020	2021	2022	2023	2024
Consumer Price Index (%)	Base Case	10%	(1.53)	1.50	1.65	1.90	2.00
	Optimistic	10%	(1.57)	1.46	1.61	1.85	1.90
	Pessimistic	80%	(1.48)	1.54	1.69	2.00	2.05
GDP Growth (%)	Base Case	10%	(2.00)	4.78	4.45	4.75	5.00
	Optimistic	10%	(1.95)	4.89	4.56	4.87	5.13
	Pessimistic	80%	(2.06)	4.66	4.34	4.63	4.88
House Price Index (%)	Base Case	10%	(5.58)	(1.33)	1.13	1.60	1.70
	Optimistic	10%	(5.44)	(1.29)	1.15	1.64	1.74
	Pessimistic	80%	(5.72)	(1.36)	1.10	1.56	1.66
USD/MYR Exchange Rate	Base Case	10%	4.50	4.20	4.15	4.09	4.03
	Optimistic	10%	4.38	4.10	4.05	3.99	3.93
	Pessimistic	80%	4.61	4.31	4.25	4.19	4.13
Brent Oil Price (USD/barrel)	Base Case	10%	28.20	55.25	60.00	63.50	66.00
	Optimistic	10%	28.91	56.63	61.50	65.09	67.65
	Pessimistic	80%	26.79	53.87	58.50	61.91	64.35

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

Impairment (cont'd.)

Measurement of ECL (cont'd.)

Write-off Policy

(i) Stage 1 write-off

The Group may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. The outstanding contractual amounts of such assets written off during the year ended 31 March 2021 was RM496,651,000 (2020: RM1,053,171,000). The Group still seeks legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

The Group writes off financial assets in whole when it has exhausted all necessary recovery actions against credit exposures and there is minimal prospect of recovery and/or further recovery is not economical, then the credit exposures will be written off from both the general ledger and subsidiary ledger.

Modified Financial Assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group then monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring and if so, the assets are moved from Stage 2 ("Lifetime ECL") or Stage 3 to Stage 1 ("12-month ECL"). This is only the case for assets which have performed in accordance with the new terms for at least six consecutive months or more.

Asset modification due to COVID-19 may continue to be classified as Stage 1 if they are within the criteria set out.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group's restructuring activities and their respective effect on the Group's financial performance:

	Group	
	2021 RM'000	2020 RM'000
Loans, advances and financing		
Amortised cost before modification	67,192,176	1,274,790
Net modification loss included under interest income	(433,805)	(4,088)

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system.

Cash and short-term funds

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	14,939,647	–	14,939,647
Very strong	3,790,100	–	3,790,100
Strong	81,743	44	81,787
Substandard	–	48	48
Unrated	227	–	227
Gross exposure	18,811,717	92	18,811,809
Less: Allowances for ECL	(2,310)	(21)	(2,331)
Net exposure	18,809,407	71	18,809,478

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	14,264,578	–	14,264,578
Very strong	1,334,960	–	1,334,960
Strong	12,581	185	12,766
Substandard	–	58	58
Unrated	227	–	227
Gross exposure	15,612,346	243	15,612,589
Less: Allowances for ECL	(833)	(28)	(861)
Net exposure	15,611,513	215	15,611,728

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Cash and short-term funds (cont'd.)

Company	Stage 1 12-month ECL RM'000
2021	
Risk grade	
Very strong	689,326
Net exposure	689,326

Company	Stage 1 12-month ECL RM'000
2020	
Risk grade	
Very strong	322,262
Net exposure	322,262

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Financial investments at amortised cost

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	402,577	–	402,577
Very strong	1,737,593	–	1,737,593
Strong	55,216	–	55,216
Satisfactory	395,770	–	395,770
Marginal	–	1,612,098	1,612,098
Gross exposure	2,591,156	1,612,098	4,203,254
Less: Allowances for ECL	(2,281)	(8,549)	(10,830)
Net exposure	2,588,875	1,603,549	4,192,424

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	432,436	–	432,436
Very strong	2,294,895	–	2,294,895
Strong	471,265	–	471,265
Satisfactory	1,614,131	–	1,614,131
Substandard	45,000	–	45,000
Unrated	–	–	–
Gross exposure	4,857,727	–	4,857,727
Less: Allowances for ECL	(4,914)	–	(4,914)
Net exposure	4,852,813	–	4,852,813

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Financial investments at fair value through other comprehensive income

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	7,137,888	–	7,137,888
Very strong	7,061,225	10,009	7,071,234
Strong	1,766,493	–	1,766,493
Satisfactory	36,428	–	36,428
Moderate	180,912	366,292	547,204
Substandard	540,159	–	540,159
Gross exposure	16,723,105	376,301	17,099,406
Less: Allowances for ECL	(11,224)	(6,847)	(18,071)
Net exposure	16,711,881	369,454	17,081,335

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	8,251,483	–	8,251,483
Very strong	8,399,775	–	8,399,775
Strong	1,371,531	361,085	1,732,616
Satisfactory	208,533	85,757	294,290
Moderate	87,527	363,660	451,187
Gross exposure	18,318,849	810,502	19,129,351
Less: Allowances for ECL	(16,020)	(16,449)	(32,469)
Net exposure	18,302,829	794,053	19,096,882

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Loans, advances and financing

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021				
Risk grade				
Exceptionally strong	45,929	12	–	45,941
Very strong	43,685,448	586,441	–	44,271,889
Strong	19,643,795	704,609	–	20,348,404
Satisfactory	23,157,853	3,616,313	–	26,774,166
Moderate	8,314,967	3,535,307	–	11,850,274
Marginal	1,379,942	2,795,612	–	4,175,554
Substandard	1,049,734	4,422,366	–	5,472,100
Unrated	49,860	–	–	49,860
Impaired	–	–	1,770,320	1,770,320
Gross exposure	97,327,528	15,660,660	1,770,320	114,758,508
Less: Allowances for ECL	(433,435)	(1,312,123)	(534,631)	(2,280,189)
Net exposure	96,894,093	14,348,537	1,235,689	112,478,319

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Risk grade				
Exceptionally strong	16,627	–	–	16,627
Very strong	43,345,076	340,121	–	43,685,197
Strong	16,151,055	442,282	–	16,593,337
Satisfactory	20,759,751	1,848,617	–	22,608,368
Moderate	9,199,548	1,853,242	–	11,052,790
Marginal	2,087,242	2,301,362	–	4,388,604
Substandard	1,866,428	5,125,654	–	6,992,082
Unrated	28,972	–	–	28,972
Impaired	–	–	1,852,633	1,852,633
Gross exposure	93,454,699	11,911,278	1,852,633	107,218,610
Less: Allowances for ECL	(283,434)	(539,633)	(444,613)	(1,267,680)
Net exposure	93,171,265	11,371,645	1,408,020	105,950,930

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Other financial assets using simplified approach

Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	480,709	–	480,709
Very strong	640,229	–	640,229
Strong	134,388	–	134,388
Satisfactory	98,900	–	98,900
Moderate	4,489	–	4,489
Marginal	16,720	–	16,720
Substandard	60,425	–	60,425
Unrated	524,289	–	524,289
Impaired	–	4,942	4,942
Gross exposure	1,960,149	4,942	1,965,091
Less: Allowances for ECL	(1,662)	(4,942)	(6,604)
Net exposure	1,958,487	–	1,958,487

Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020			
Risk grade			
Exceptionally strong	677,856	–	677,856
Very strong	792,779	–	792,779
Strong	168,150	–	168,150
Satisfactory	83,674	–	83,674
Moderate	14,932	–	14,932
Marginal	809	–	809
Substandard	14,350	–	14,350
Unrated	613,409	–	613,409
Impaired	–	6,658	6,658
Gross exposure	2,365,959	6,658	2,372,617
Less: Allowances for ECL	(1,649)	(6,503)	(8,152)
Net exposure	2,364,310	155	2,364,465

Company	Lifetime ECL not credit impaired	
	2021 RM'000	2020 RM'000
Risk grade		
Very strong	1,833,125	255
Net exposure	1,833,125	255

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Loans commitments and financial guarantee contracts

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021				
Risk grade				
Exceptionally strong	150,286	–	–	150,286
Very strong	15,219,388	120,426	–	15,339,814
Strong	4,316,302	91,657	–	4,407,959
Satisfactory	7,606,838	582,098	–	8,188,936
Moderate	1,933,338	331,565	–	2,264,903
Marginal	391,626	410,569	–	802,195
Substandard	299,133	405,036	–	704,169
Unrated	76,521	–	–	76,521
Impaired	–	–	69,083	69,083
Gross exposure	29,993,432	1,941,351	69,083	32,003,866
Less: Allowances for ECL	(30,429)	(37,348)	(52,733)	(120,510)
Net exposure	29,963,003	1,904,003	16,350	31,883,356

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Risk grade				
Exceptionally strong	235,199	–	–	235,199
Very strong	15,188,873	111,344	–	15,300,217
Strong	4,237,037	209,843	–	4,446,880
Satisfactory	7,659,524	540,057	–	8,199,581
Moderate	1,674,784	224,236	–	1,899,020
Marginal	314,690	536,812	–	851,502
Substandard	224,840	403,692	–	628,532
Unrated	2,650	1,450	–	4,100
Impaired	–	–	55,469	55,469
Gross exposure	29,537,597	2,027,434	55,469	31,620,500
Less: Allowances for ECL	(42,503)	(32,519)	(181)	(75,203)
Net exposure	29,495,094	1,994,915	55,288	31,545,297

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

The table below shows credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. (cont'd.)

Stage 1 Group	Deposits and placements with banks and other financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000
2021		
Risk grade		
Exceptionally strong	–	425,278
Very strong	103,070	–
Gross exposure	103,070	425,278
Less: Allowances for ECL	(42)	–
Net exposure	103,028	425,278

Stage 1 Group	Deposits and placements with banks and other financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000
2020		
Risk grade		
Exceptionally strong	–	489,006
Very strong	99,330	–
Gross exposure	99,330	489,006
Less: Allowances for ECL	(485)	–
Net exposure	98,845	489,006

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1c Credit Quality By Class of Financial Assets (cont'd.)

Maximum exposure to credit risk – financial instruments not subject to impairment

The table below shows the credit quality of financial assets measured at FVTPL:

Stage 1 Group	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2021		
Risk grade		
Exceptionally strong	7,121,333	130,103
Very strong	953,809	778,865
Strong	109,924	105,806
Satisfactory	96,692	153,611
Moderate	–	116,067
Marginal	–	3,015
Substandard	–	19
Unrated	–	3,704
Net exposure	8,281,758	1,291,190

Stage 1 Group	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2020		
Risk grade		
Exceptionally strong	10,713,399	32,058
Very strong	751,389	1,611,355
Strong	149,917	207,902
Satisfactory	40,106	29,418
Moderate	–	193,967
Marginal	–	463
Substandard	–	260
Unrated	249,604	1,858
Net exposure	11,904,415	2,077,281

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1d Estimated value of collateral for financial assets

The Group's policies regarding obtaining collateral have not significantly changed during the financial year and there has been no significant change in the overall quality of the collateral held by the Group since the previous financial year.

The following table summarises the financial effects of collateral received from loans, advances and financing:

Group	Gross exposure to credit risk 2021 RM'000	Gross exposure to credit risk 2020 RM'000	Financial effect of collateral 2021 RM'000	Financial effect of collateral 2020 RM'000	Unsecured portion of credit exposure 2021 RM'000	Unsecured portion of credit exposure 2020 RM'000
Gross loans, advances and financing						
Hire purchase	13,212,144	13,072,434	12,572,591	12,720,991	639,553	351,443
Mortgage	40,111,859	36,403,487	39,781,085	36,189,620	330,774	213,867
Credit card	2,547,195	2,599,569	45,564	43,621	2,501,631	2,555,948
Other loans, advances and financing	9,435,927	7,413,504	8,036,966	4,784,427	1,398,961	2,629,077
Corporate loans, advances and financing	49,451,383	47,729,616	23,410,699	22,893,253	26,040,684	24,836,363
Term loans and bridging loans	25,838,468	22,491,503	14,547,137	12,944,163	11,291,331	9,547,340
Revolving credits	10,454,979	12,120,679	3,734,854	4,601,150	6,720,125	7,519,529
Overdrafts	3,070,234	3,579,602	1,846,142	2,150,435	1,224,092	1,429,167
Trade (include factoring)	10,087,702	9,537,832	3,282,566	3,197,505	6,805,136	6,340,327
Total	114,758,508	107,218,610	83,846,905	76,631,912	30,911,603	30,586,698

49.2.1e Collateral repossessed

	Group 2021 RM'000	Group 2020 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	2,308	2,300
	2,458	2,450

The above assets are accounted for as foreclosed properties under other assets (Note 18). There were no new assets obtained for the financial year 2021 and 2020.

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1f Collateral held for credit impaired financial assets

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2021				
Credit-impaired financial assets				
Hire purchase	68,243	26,841	41,402	62,175
Mortgage	609,914	162,799	447,115	534,269
Credit card	60,852	35,040	25,812	243
Other loans and financing	143,221	33,793	109,428	106,663
Corporate loans, advances and financing				
Term loans and bridging loans	596,799	108,749	488,050	557,526
Revolving credits	118,127	68,147	49,980	106,869
Overdrafts	103,909	43,153	60,756	47,918
Trade	69,255	56,109	13,146	11,810
Total credit-impaired financial assets	1,770,320	534,631	1,235,689	1,427,473

Group	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2020				
Credit-impaired financial assets				
Hire purchase	159,333	55,298	104,035	151,579
Mortgage	576,165	126,835	449,330	529,649
Credit card	51,740	27,304	24,436	572
Other loans and financing	138,547	29,486	109,061	66,107
Corporate loans, advances and financing				
Term loans and bridging loans	568,913	41,755	527,158	527,934
Revolving credits	138,758	63,478	75,280	94,833
Overdrafts	123,589	65,829	57,760	103,366
Trade	95,588	34,628	60,960	75,076
Total credit-impaired financial assets	1,852,633	444,613	1,408,020	1,549,116

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1g Exposures to COVID-19 impacted sectors

The table below shows the gross carrying amount of loans, advances and financing by industry sectors that are most impacted by COVID-19:

Group	Gross loans, advances and financing 2021 RM'000	Gross loans, advances and financing 2020 RM'000
Retail and Wholesale/Trading	8,257,648	7,125,034
Accommodation	539,004	400,743
Travel Agencies/Tourism	14,096	9,150
Airline/Aviation	180,375	137,596
Food and Beverage Services/Restaurants	165,198	142,151
	9,156,321	7,814,674

49.2.1h COVID-19 customer relief and support measures

Other than the auto moratorium between April to September 2020, the Group has further supported its customers by providing post moratorium repayment assistance during this challenging and difficult time of COVID-19. The table below shows the relief and support measures for retail and non-retail customers as at 31 March 2021:

Group	Retail customers as at 31 March 2021						Non-retail customers as at 31 March 2021				
	Mortgages RM'000	Hire purchase RM'000	Credit card RM'000	Personal financing RM'000	SMEs RM'000	Total RM'000	SMEs RM'000	Corporates RM'000	Others RM'000	Total RM'000	Total RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R")	35,634,935	10,766,094	567,355	2,523,793	3,255,123	52,747,300	12,411,389	2,939,376	108,016	15,458,781	68,206,081
Resumed repayments	26,591,845	7,872,597	345,340	2,312,990	2,159,938	39,282,710	10,229,220	329,621	91,691	10,650,532	49,933,242
Extended and/or repaying as per revised schedules	8,683,225	2,254,435	119,001	110,899	1,018,380	12,185,940	1,616,648	2,435,128	16,325	4,068,101	16,254,041
Missed payments	359,865	639,062	103,014	99,904	76,805	1,278,650	565,521	174,627	–	740,148	2,018,798
As a percentage of total:											
Resumed repayments	75%	73%	61%	92%	66%	75%	82%	11%	85%	69%	73%
Extended and/or repaying as per revised schedules	24%	21%	21%	4%	31%	23%	13%	83%	15%	26%	24%
Missed payments	1%	6%	18%	4%	3%	2%	5%	6%	0%	5%	3%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

49. RISK MANAGEMENT (CONT'D.)

49.2 Credit Risk Management (cont'd.)

49.2.1i Overlays and adjustments for expected credit losses amid COVID-19 environment

Due to the significant uncertainty as a consequence of the COVID-19 pandemic, management overlay is provided in anticipation of potential deterioration of credit risk for loans/financing where relief assistance is provided.

These overlays adjustments were taken to reflect the underlying borrower health outlook not fairly reflected in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays adjustments were generally made at portfolio level in determining the sufficient level of ECL and remain outside the core MFRS 9 process.

The overlay adjustments assumes a continuous restrictive economic environment due to COVID-19 into FY22 amount to RM749.5 million as at 31 March 2021.

49.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management process is depicted in the table below:

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/Measurement	• Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Depositor Concentration Ratios • Other Detailed Controls
Control/Mitigation	• LCR Limits • NSFR Limits/Triggers • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned to the LCR policy and NSFR policy issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

The Board provides the liquidity risk management oversight including setting and reviewing the liquidity risk appetite and approves the Group's liquidity management strategy while the GALCO is the core management committee established by the Board to oversee the overall liquidity management of the Group.

The Group has put in place a Contingency Funding Plan which is established by CBSM to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Various liquidity measurements have been put in place to support the broader strategic objectives of the Group and amongst others include the BNM LCR, BNM NSFR, Depositor Concentration Ratios and other Liquidity Ratios. Investment Banking and Markets Risk ("IBMR") is responsible for developing and monitoring the controls and limits while the Group Treasury and Markets ("GTM") and CBSM are responsible to ensure the controls and limits are within the thresholds.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans/financing to customers. They are monitored using the loans/financing to available fund ratio, which compares loans/financing and advances to customers as a percentage of the Group's total available funds.

To measure the quality of the Group's funding sources, the composition of core funds indicators is monitored on a regular basis. The core funds is defined as deposits from retail and small business customers, operational deposits, non-financial institution deposits more than 1 year and debt instruments/long term borrowings more than 1 year.

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting*

Group	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Assets								
Cash and short-term funds	18,809,478	–	–	–	–	–	–	18,809,478
Deposits and placements with banks and other financial institutions	–	93,905	9,123	–	–	–	–	103,028
Derivative financial assets	45,413	142,953	120,264	67,250	661,931	253,379	–	1,291,190
Financial assets at fair value through profit or loss	648,792	892,929	670,203	3,616,459	1,081,140	2,419,631	232,820	9,561,974
Financial investments at fair value through other comprehensive income	416,894	1,281,515	1,167,817	2,089,900	7,592,284	4,473,013	764,775	17,786,198
Financial investments at amortised cost	–	5,001	30,007	39,963	1,353,253	2,764,200	–	4,192,424
Loans, advances and financing	1,638,617	104,685	391,173	26,385,517	17,214,335	66,743,992	–	112,478,319
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	425,278	–	425,278
Deferred tax assets	–	–	–	–	–	–	134,350	134,350
Investments in associates and joint ventures	–	–	–	–	–	–	588,937	588,937
Other assets	1,725,765	190,446	96,187	207,132	173,220	35,524	13,162	2,441,436
Reinsurance assets and other insurance receivables	56,366	68,979	82,569	84,699	132,697	7,374	–	432,684
Property and equipment	–	–	–	–	–	–	215,934	215,934
Right-of-use assets	–	–	–	–	402	–	270,351	270,753
Intangible assets	–	–	–	–	–	–	1,443,947	1,443,947
Assets held for sale	–	–	–	2,324	–	–	–	2,324
Total assets	23,341,325	2,780,413	2,567,343	32,493,244	28,209,262	77,122,391	3,664,276	170,178,254
Liabilities								
Deposits from customers	69,168,708	24,935,968	12,152,015	12,822,494	1,464,001	–	–	120,543,186
Investment accounts of customers	80,436	11,550	2,848	–	–	–	–	94,834
Deposits and placements of banks and other financial institutions	4,311,562	2,923,293	1,131,188	511,915	70,822	972,107	–	9,920,887
Securities sold under repurchase agreements	317,519	492,652	–	–	–	–	–	810,171
Recourse obligation on loans and financing sold to Cagamas Berhad	–	1,700,001	550,007	4,300,004	725,006	–	–	7,275,018
Derivative financial liabilities	71,682	136,166	99,215	85,359	641,057	236,330	–	1,269,809
Term funding	47,899	16,889	175,891	671,826	837,365	–	–	1,749,870
Debt capital	–	–	–	–	–	4,295,000	–	4,295,000
Redeemable cumulative convertible preference share	–	–	–	–	–	238,713	–	238,713
Deferred tax liabilities	–	–	–	–	–	–	19,669	19,669
Other liabilities	1,583,830	641,581	1,999,821	778,657	769,168	113,023	5,651	5,891,731
Insurance contract liabilities and other insurance payables	261,296	395,825	480,008	532,008	749,621	60,249	–	2,479,007
Total liabilities	75,842,932	31,253,925	16,590,993	19,702,263	5,257,040	5,915,422	25,320	154,587,895
Net gap	(52,501,607)	(28,473,512)	(14,023,650)	12,790,981	22,952,222	71,206,969	3,638,956	15,590,359

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (cont'd.)

Group	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2020								
Assets								
Cash and short-term funds	15,611,728	–	–	–	–	–	–	15,611,728
Deposits and placements with banks and other financial institutions	–	98,845	–	–	–	–	–	98,845
Derivative financial assets	131,782	205,570	205,836	253,964	842,378	437,751	–	2,077,281
Financial assets at fair value through profit or loss	2,078,331	2,109,565	2,277,406	2,381,293	2,190,978	1,250,391	257,893	12,545,857
Financial investments at fair value through other comprehensive income	917,799	1,517,245	1,636,609	1,790,842	8,160,715	5,031,827	667,864	19,722,901
Financial investments at amortised cost	30,019	–	18,790	537,666	1,409,017	2,857,321	–	4,852,813
Loans, advances and financing	24,287,137	56,803	420,587	1,317,110	17,083,596	62,785,697	–	105,950,930
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	489,006	–	489,006
Deferred tax assets	–	–	–	–	–	–	51,457	51,457
Investments in associates and joint ventures	–	–	–	–	–	–	699,275	699,275
Other assets	1,930,559	283,320	121,740	210,539	235,303	26,506	1,467	2,809,434
Reinsurance assets and other insurance receivables	68,924	74,261	80,374	89,045	136,925	8,377	–	457,906
Property and equipment	–	–	–	–	–	–	254,144	254,144
Right-of-use assets	–	–	–	–	–	–	317,679	317,679
Intangible assets	–	–	–	–	–	–	3,261,506	3,261,506
Assets held for sale	–	–	–	2,324	–	–	–	2,324
Total assets	45,056,279	4,345,609	4,761,342	6,582,783	30,058,912	72,886,876	5,511,285	169,203,086
Liabilities								
Deposits from customers	60,000,284	26,057,148	10,561,423	13,816,530	2,531,327	–	–	112,966,712
Investment accounts of customers	77,337	61,414	69,975	–	–	–	–	208,726
Deposits and placements of banks and other financial institutions	6,255,857	2,484,622	668,264	377,031	35,547	200,600	–	10,021,921
Securities sold under repurchase agreements	6,352,709	–	–	–	–	–	–	6,352,709
Recourse obligation on loans and financing sold to Cagamas Berhad	–	800,002	1,965,012	900,001	1,475,008	–	–	5,140,023
Derivative financial liabilities	118,817	116,560	180,687	234,046	901,840	408,153	–	1,960,103
Term funding	57,909	826,950	2,600	–	1,614,280	–	–	2,501,739
Debt capital	–	–	–	–	–	3,745,000	–	3,745,000
Redeemable cumulative convertible preference share	–	–	–	–	–	231,311	–	231,311
Deferred tax liabilities	–	–	–	–	–	–	69,720	69,720
Other liabilities	2,332,388	749,961	117,265	327,124	316,872	122,280	28	3,965,918
Insurance contract liabilities and other insurance payables	251,537	397,990	473,606	545,271	746,265	64,495	–	2,479,164
Total liabilities	75,446,838	31,494,647	14,038,832	16,200,003	7,621,139	4,771,839	69,748	149,643,046
Net gap	(30,390,559)	(27,149,038)	(9,277,490)	(9,617,220)	22,437,773	68,115,037	5,441,537	19,560,040

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (cont'd.)

Company	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Assets								
Cash and short-term funds	689,326	–	–	–	–	–	–	689,326
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,104	1,104
Investments in subsidiaries and other investments	–	–	–	–	–	–	10,407,425	10,407,425
Other assets	1,833,358	–	–	–	–	–	–	1,833,358
Property and equipment	–	–	–	–	–	–	1	1
Total assets	2,522,684	–	–	–	–	–	10,408,530	12,931,214
Liabilities								
Other liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Total liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Net gap	2,522,401	–	(1,800,000)	(557,139)	(515,000)	–	10,408,530	10,058,792

Company	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2020								
Assets								
Cash and short-term funds	322,262	–	–	–	–	–	–	322,262
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,078	1,078
Investments in subsidiaries and other investments	–	–	–	–	–	–	9,627,425	9,627,425
Other assets	255	–	–	1,316	–	–	–	1,571
Property and equipment	–	–	–	–	–	–	332	332
Total assets	322,517	–	–	1,316	–	–	9,628,835	9,952,668
Liabilities								
Other liabilities	14,137	–	–	32,837	–	–	–	46,974
Total liabilities	14,137	–	–	32,837	–	–	–	46,974
Net gap	308,380	–	–	(31,521)	–	–	9,628,835	9,905,694

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1b Analysis of Liabilities By Remaining Contractual Maturities on undiscounted basis

Group	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Liabilities								
Deposits from customers	69,803,272	25,160,446	12,258,820	12,935,385	1,477,304	–	–	121,635,227
Investment accounts of customers	80,715	11,618	2,850	–	–	–	–	95,183
Deposits and placements of banks and other financial institutions	4,363,451	2,949,900	1,140,547	515,988	71,464	979,839	–	10,021,189
Securities sold under repurchase agreements	318,570	494,825	–	–	–	–	–	813,395
Recourse obligation on loans and financing sold to Cagamas Berhad	13,506	1,743,531	590,244	4,367,654	738,512	–	–	7,453,447
Derivative financial liabilities	97,414	161,822	156,615	266,374	430,989	50,084	–	1,163,298
Term funding	95,794	25,489	229,986	691,663	938,600	–	–	1,981,532
Debt capital	26,132	31,417	45,320	852,767	3,873,672	–	–	4,829,308
Redeemable cumulative convertible preference share	–	–	–	–	–	238,713	–	238,713
Other liabilities	1,394,451	568,153	1,982,414	736,559	609,484	37,741	5,651	5,334,453
Insurance contract liabilities and other insurance payables	265,000	401,722	487,287	542,754	772,016	62,384	–	2,531,163
Total undiscounted liabilities	76,458,305	31,548,923	16,894,083	20,909,144	8,912,041	1,368,761	5,651	156,096,908
Contingent liabilities	692,477	797,990	1,008,945	1,842,527	2,597,057	172,397	–	7,111,393
Commitments	6,412,920	1,228,649	1,856,641	3,880,739	792,257	11,615,765	–	25,786,971
Total commitments and guarantees	7,105,397	2,026,639	2,865,586	5,723,266	3,389,314	11,788,162	–	32,898,364

49. RISK MANAGEMENT (CONT'D.)

49.3 Liquidity Risk and Funding Management (cont'd.)

49.3.1b Analysis of Liabilities By Remaining Contractual Maturities on undiscounted basis (cont'd.)

Group	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2020								
Liabilities								
Deposits from customers	60,826,685	26,414,191	10,703,980	13,997,632	2,567,491	–	–	114,509,979
Investment accounts of customers	77,830	62,194	71,172	–	–	–	–	211,196
Deposits and placements of banks and other financial institutions	6,358,551	2,517,580	677,495	381,659	36,017	202,986	–	10,174,288
Securities sold under repurchase agreements	6,367,842	–	–	–	–	–	–	6,367,842
Recourse obligation on loans and financing sold to Cagamas Berhad	25,713	820,482	2,026,505	947,491	1,524,769	–	–	5,344,960
Derivative financial liabilities	969,100	148,774	409,253	191,146	444,875	51,228	–	2,214,376
Term funding	115,816	969,693	31,340	19,895	1,765,688	–	–	2,902,432
Debt capital	26,370	31,845	36,881	344,917	3,883,105	–	–	4,323,118
Redeemable cumulative convertible preference share	–	–	–	–	–	231,311	–	231,311
Other liabilities	2,306,574	216,605	95,434	282,850	317,235	106,039	28	3,324,765
Insurance contract liabilities and other insurance payables	255,943	405,061	482,328	558,379	772,245	67,133	–	2,541,089
Total undiscounted liabilities	77,330,424	31,586,425	14,534,388	16,723,969	11,311,425	658,697	28	152,145,356
Contingent liabilities	709,464	789,532	1,041,620	1,942,405	2,792,982	307,310	–	7,583,313
Commitments	7,338,247	1,283,699	1,502,762	2,990,297	1,032,346	11,898,941	–	26,046,292
Total commitments and guarantees	8,047,711	2,073,231	2,544,382	4,932,702	3,825,328	12,206,251	–	33,629,605

Company	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Liability								
Other liabilities	283	–	1,800,000	557,139	515,000	–	–	2,872,422
Total undiscounted liability	283	–	1,800,000	557,139	515,000	–	–	2,872,422

Company	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 6 months RM'000	> 6 months to 12 months RM'000	> 1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2020								
Liability								
Other liabilities	14,137	–	–	32,837	–	–	–	46,974
Total undiscounted liability	14,137	–	–	32,837	–	–	–	46,974

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibilities of Investment Banking and Markets Risk ("IBMR").

Traded Market Risk ("TMR")

The TMR management process is depicted in the table below.

Identification	• Identify market risks within existing and new products • Review market-related information such as market trends and economic data	
Assessment/Measurement	• Value-at-Risk ("VaR") • Loss Limit • Historical Stress Loss ("HSL")	• Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/Mitigation	• VaR Limit • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/ Vega/Theta) • Concentration Limits	• Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting	

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss Limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls (e.g. Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

IBMR independently monitors risk exposures against limits on a daily basis. Portfolio market risk positions are independently monitored and reported by IBMR to GMRC, RMC and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

Non-Traded Market Risk ("NTMR")

NTMR refers to interest rate risk/rate of return risk in the banking book including those arising from balance sheet management activities as covered under the risk appetite.

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/Measurement	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 limits • EaR limits
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the GALCO and GMRC. GMRC is responsible for the alignment of Group-wide risk appetite. GALCO reviews strategies to ensure a comfortable level of IRR/RORBB is maintained, taking into consideration the Group's business strategies and is responsible for overseeing the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, IRR/RORBB positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

The Group measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

Non-Traded Market Risk ("NTMR") (cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using various product and funding strategies, supported by interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/Profit Rate Risk Framework.

IRR/RORBB exposures are monitored by IBMR and positions reported to the GALCO, GMRC, RMC and Board.

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remaining constant. There is no impact to the Company for interest rate risk/rate of return risk.

Group	2021 IRR/ROR		2020 IRR/ROR	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Impact on profit before taxation	(251,459)	275,809	(143,813)	151,914
Non-traded market risk				
Impact on profit before taxation	755,405	(755,073)	721,846	(712,078)
Impact on equity	(499,951)	538,289	(540,534)	582,047

49. RISK MANAGEMENT (CONT'D.)

49.4 Market Risk Management (cont'd.)

Market Risk Sensitivity (cont'd.)

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from being exposed to excessive foreign exchange risk.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in exchange rates with all other variables remaining constant. There is no impact to the Company for foreign exchange risk.

Group	2021 Currency rate		2020 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation				
USD	(43,133)	43,133	(3,953)	3,953
SGD	10,277	(10,277)	6,213	(6,213)
EUR	769	(769)	1,242	(1,242)
JPY	(402)	402	(665)	665
GBP	471	(471)	412	(412)
HKD	43,915	(43,915)	368	(368)
Others	902	(902)	(2,104)	2,104
Impact on equity				
USD	29,566	(29,566)	30,342	(30,342)
EUR	55	(55)	48	(48)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonable possible change in equity prices with all other variables remaining constant. There is no impact to the Company for equity price risk.

Group	2021 Equity price		2020 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation	108,909	(108,909)	8,907	(8,907)

49. RISK MANAGEMENT (CONT'D.)

49.5 Operational Risk Management ("ORM")

The ORM process is depicted in the table below:

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Control Testing
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk. (Please refer to Section 49.9 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall Group Risk Appetite Framework ("GRAF"), which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non-financial risk or return attributes in order to support the achievement of Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

- Fraud (internal and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness and capital allocation, ORM training and reporting of operational risk triggers, breaches, Key Control Testing ("KCT") exceptions, operational loss incidents to GMRC, RMC and the Board.

- GIAD acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

49. RISK MANAGEMENT (CONT'D.)

49.5 Operational Risk Management ("ORM") (cont'd.)

Group Operational Risk maintains close working relationships with all Business and Functional Lines, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The ORM process contains the following ORM tools:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- The KCT is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.
- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.
- Scenario analysis is a forward-looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

49.5.1 Business Continuity Management ("BCM")

The BCM process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/Measurement	• Business Impact Analysis ("BIA") • Risk Assessment
Control/Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") plan
Monitoring/Review	• BC plan testing and exercise • Review of BC Plan • BC site readiness and maintenance

The BCM function is an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and the identification of critical functions through BIA exercise, for the development of recovery strategy. BCM builds the resilience and recovery capability to safeguard the interest of the Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team units to ensure that the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace arrangements and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an integral part of the process to heighten BCM awareness and inculcate a business resiliency culture.

49. RISK MANAGEMENT (CONT'D.)

49.6 Cyber Risk Management

Cybersecurity risks remain a persistent threat for the financial industry. Driven by the constantly evolving nature and sophistication of cyber threats and attack vectors, this calls for increased vigilance, readiness and ability to response to upcoming threats. The resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information.

The Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defense mechanisms and uplift governance processes alongside the Group's cyber risk management strategy – to identify threats in a timely manner, and build or enhance the right defenses to mitigate risks. Creating a security mindset for employees and customers via its Cyber Security awareness programs also remains a priority.

The Group has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

49.7 Legal Risk

In all jurisdictions that the Group conducts its business, there could be potential legal risks arising from breaches of applicable laws, unenforceability of contracts, lawsuits, adverse judgement, failure to respond to changes in regulatory requirements and failure to protect assets (including intellectual properties) owned by the Group which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by Group Management Risk Committee/Group Management Committee ("GMRC/GMC"), upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks are appropriately managed.

49.8 Regulatory Compliance Risk

The Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

The Group Chief Compliance Officer has a direct reporting line to the Risk Management Committee ("RMC") of the Board. A governance structure is in place for escalation and reporting of compliance risks and issues through monthly compliance reports to the RMC and Board.

The compliance framework details the roles and responsibilities for compliance with regulatory guidelines and requirements. The responsible parties are accountable for the management of compliance risks associated with the Group's processes and increasing awareness on the role of every employee to be compliant and safeguard the Group's reputation against any potential legal violations and/or regulatory non-compliance. The Senior Management team is responsible for communicating the compliance framework to all employees, as well as implementing appropriate actions for non-compliances.

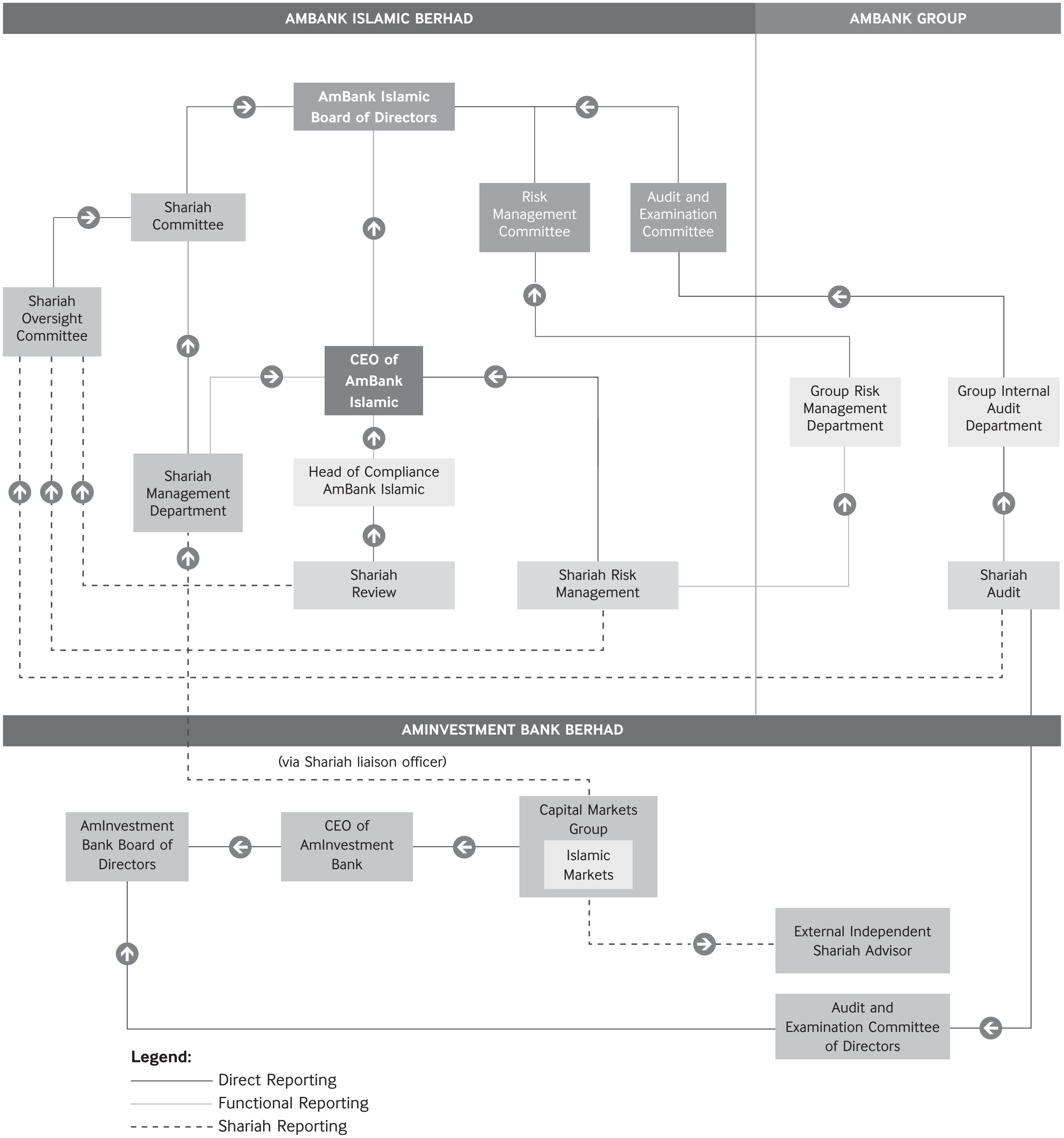
The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. The Group believes in and embraces a strong compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board of Directors ("BOD") and Senior Management lead by example. The Group has zero tolerance for any form of bribery or corruption.

The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control

Shariah Governance Structure



49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

AmBank Islamic

AmBank Islamic has established its Shariah governance structure in accordance with the requirements of the Islamic Financial Services Act 2013 ("IFSA") and BNM's Policy Document on Shariah Governance. This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Management, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the performance assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee, Risk Management Committee ("RMC") and the Shariah Committee.

Audit and Examination Committee ("AEC")

AEC is a Board committee responsible for assisting the Board in ensuring AmBank Islamic's operations are Shariah compliant through the independent assurance from the Shariah Audit function performed by Group Internal Audit Department. The reports from the Shariah Review are also presented to the AEC for information.

Risk Management Committee ("RMC")

RMC is a Board committee responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing and validating products and services, Shariah policies and the relevant documentation in relation to AmBank Islamic's business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function via the Shariah Control Functions (i.e. Shariah Review, Shariah Risk Management and Shariah Audit). The Shariah Oversight Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Senior Management

The Chief Executive Officer ("CEO") and senior officers of AmBank Islamic and the Group are responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Senior Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

Shariah Management

Shariah Management Department is accountable to the Shariah Committee and is responsible for providing operational support for effective functioning of the Shariah Committee including day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

Shariah Risk Management

Shariah Risk Management ("SRM") section is accountable to the Group Risk Management Department and CEO with Shariah reporting to the Shariah Oversight Committee. SRM is a function that systematically identifies, measures, monitors and reports Shariah non-compliance risks in the business, operations, affairs and activities of AmBank Islamic.

The management of Shariah risk is executed through the three lines of defence in managing Shariah risk. The three lines of defence are:

- First – The Business Units and Functional Lines
- Second – Shariah Risk Management and Shariah Review
- Third – Shariah Audit

Shariah Review

Shariah Review Section is accountable to AmBank Islamic's Head of Compliance with Shariah reporting to the Shariah Oversight Committee. Shariah review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of AmBank Islamic with Shariah requirements.

Shariah Audit

Shariah Audit Section is accountable to the AEC with Shariah reporting to Shariah Oversight Committee. A designated team within the Group Internal Audit Department, which is responsible to conduct independent assessment on the quality and effectiveness of AmBank Islamic's internal control, risk management systems, governance processes as well as the overall compliance of AmBank Islamic's operations, business, affairs and activities with Shariah. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

The Group adopts a leverage model whereby, AmInvestment Bank through its Islamic Window i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

AmInvestment Bank

AmInvestment Bank's Capital Markets Group covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. For such Islamic transactions, AmInvestment Bank complies with guidelines issued by Securities Commission Malaysia ("SC").

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance. The Board performs its oversight through various committees such as the Audit and Examination Committee of Directors ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

AEC is a Board committee and is responsible for assisting the Board in ensuring AmInvestment Bank's Islamic capital markets operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department.

RMC is a Board committee and is responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

49. RISK MANAGEMENT (CONT'D.)

49.9 Shariah Risk Management Control (cont'd.)

AmInvestment Bank (cont'd.)

Under Shariah risk management, endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are:

- First – Capital markets Group (via Islamic Markets unit)
- Second – Shariah Risk Management, AmInvestment Bank's Compliance and the appointed Shariah adviser
- Third – GIAD

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market product and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision/pronouncement/resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM shall be in line with the Shariah Resolutions (fatwa) issued by the SAC of BNM and SC, at all times.

Shariah Liaison Officer, IM

As per the leveraging model, AmInvestment Bank via IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Management Department, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant lines of business ("LOBs") under the Group with regards to Islamic capital market products and services.

(i) Shariah non-compliance incidents and income

AmBank Islamic

For the financial year ended 31 March 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the AmBank Islamic's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by the AmBank Islamic.

AmBank Islamic has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7 *Financial Instruments: Disclosures*, which requires the fair value information to be disclosed.

(a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values)

	Group	
	Carrying Amount RM'000	Fair Value RM'000
2021		
Financial Assets		
Financial investments at amortised cost	4,192,424	4,318,890
Loans, advances and financing[1]	14,389,622	12,627,575
	18,582,046	16,946,465
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	7,275,018	7,424,193
Term funding	1,749,870	1,768,574
Debt capital	4,295,000	4,369,932
	13,319,888	13,562,699

	Group	
	Carrying Amount RM'000	Fair Value RM'000
2020		
Financial Assets		
Financial investments at amortised cost	4,852,813	5,056,831
Loans, advances and financing[1]	13,420,154	12,570,596
	18,272,967	18,627,427
Financial Liabilities		
Recourse obligation on loans and financing sold to Cagamas Berhad	5,140,023	5,216,670
Term funding	2,501,739	2,530,435
Debt capital	3,745,000	3,869,632
	11,386,762	11,616,737

[1] excluding loans, advances and financing of RM98,088.7 million (2020: RM92,530.8 million) where the carrying amounts are reasonable approximation of their fair values.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets measured at fair value				
Derivative financial assets	237	1,290,953	–	1,291,190
Financial assets at fair value through profit or loss				
– Money market securities	–	4,116,349	–	4,116,349
– Shares	1,083,286	–	34	1,083,320
– Unit trusts	195,792	1,104	–	196,896
– Quoted corporate bonds and sukuk	–	37,538	–	37,538
– Unquoted corporate bonds and sukuk	–	4,127,871	–	4,127,871
Financial investments at fair value through other comprehensive income				
– Money market securities	–	7,661,349	–	7,661,349
– Shares	–	–	686,792	686,792
– Unquoted corporate bonds and sukuk	–	9,438,057	–	9,438,057
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	4,318,800	90	4,318,890
Loans, advances and financing	–	12,627,575	–	12,627,575
	1,279,315	43,619,596	686,916	45,585,827
Financial liabilities measured at fair value				
Derivative financial liabilities	21,242	1,248,567	–	1,269,809
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	7,424,193	–	7,424,193
Term funding	–	1,768,574	–	1,768,574
Debt capital	–	4,369,932	–	4,369,932
	21,242	14,811,266	–	14,832,508

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed (cont'd.)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets measured at fair value				
Derivative financial assets	–	2,077,281	–	2,077,281
Financial assets at fair value through profit or loss				
– Money market securities	–	8,625,737	–	8,625,737
– Shares	411,250	–	2,766	414,016
– Unit trusts	225,270	2,156	–	227,426
– Quoted corporate bonds and sukuk	–	37,500	–	37.500
– Unquoted corporate bonds and sukuk	–	3,241,178	–	3,241,178
Financial investments at fair value through other comprehensive income				
– Money market securities	–	8,485,170	–	8,485,170
– Shares	–	–	593,550	593,550
– Unquoted corporate bonds and sukuk	–	10,644,181	–	10,644,181
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	–	5,056,741	90	5,056,831
Loans, advances and financing	–	13,570,596	–	13,570,596
	636,520	51,740,540	596,406	52,973,466
Financial liabilities measured at fair value				
Derivative financial liabilities	10,790	1,949,313	–	1,960,103
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	5,216,670	–	5,216,670
Term funding	–	2,530,435	–	2,530,435
Debt capital	–	3,869,632	–	3,869,632
	10,790	13,566,050	–	13,576,840

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,104	–	1,104

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unit trusts	–	1,078	–	1,078

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets and financial liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Loans, advances and financing

The fair value of variable rate loans, advances and financing are estimated to approximate their carrying values. For fixed rate loans, advances and financing, the fair values are estimated based on expected future cash flows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk. For impaired loans, advances and financing, the fair values are deemed to approximate the carrying value (net of impairment losses).

(d) Term funding and debt capital

The Group uses observable mid prices to estimate the fair values and where mid prices are not available, the fair values are estimated by discounting the expected future cash flows using market indicative rates of instruments with similar risk profile.

(e) Recourse obligation on loans and financing sold to Cagamas Berhad

The fair value for Recourse obligation on loans and financing sold to Cagamas Berhad is determined based on the discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or the Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data, as well as financial information of the counterparties. Unquoted equity investments at FVOCI are revalued using adjusted net assets method.

About 2.4% (2020: 1.7%) of the Group's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

There is no transfer between Level 1 and Level 2 during the current and previous financial year for the Group and the Company.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Movements in Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting year. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value for the financial year.

Group	Financial investments at FVOCI RM'000	Financial assets at FVTPL RM'000	Total RM'000
2021			
Balance at beginning of the financial year	593,550	2,766	596,316
Total gains recognised in other comprehensive income	93,242	–	93,242
Gain on revaluation taken up in statements of profit or loss	–	136	136
Disposals	–	(2,868)	(2,868)
Balance at end of the financial year	686,792	34	686,826

Group	Financial investments at FVOCI RM'000	Financial assets at FVTPL RM'000	Total RM'000
2020			
Balance at beginning of the financial year	524,213	2,813	527,026
Total gains recognised in other comprehensive income	69,337	–	69,337
Loss on revaluation taken up in statements of profit or loss	–	(47)	(47)
Balance at end of the financial year	593,550	2,766	596,316

There were no transfers between Level 2 and Level 3 during the current financial year and previous financial year for the Group.

Total gains or losses included in the statements of profit or loss and statements of comprehensive income for financial instruments held at the end of the reporting date:

Group	2021 RM'000	2020 RM'000
Financial investments at FVOCI:		
Total gains included in:		
– fair value reserve in statements of comprehensive income	93,242	69,337
Financial assets at FVTPL:		
Total gain/(loss) included in:		
– investment and trading income in statements of profit or loss	136	(47)

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

51. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision-Maker in order to allocate resources to a segment and to assess its performance.

The Group comprises the following main business segments:

(a) Retail Banking

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

(b) Business Banking

Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans and Project Financing.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury & Markets.

(i) Corporate Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients;

(ii) Group Treasury & Markets provides full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

(d) Investment Banking

Investment Banking offers investment banking solutions and services, encompassing capital markets (primary) activities, broking, private banking services, corporate advisory and fund raising services (equity and debt capital).

(e) Fund Management

Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

(f) Insurance

Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and takaful products namely wealth protection/savings, health and medical protection and family takaful solutions provided through our joint venture operations.

(g) Group Funding and Others

Group Funding and Others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

Measurement of segment performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation under Group Funding and Others.

Operating revenue

Operating revenue of the Group comprises all types of revenue derived from the business segments but after elimination of related companies' transactions.

Major customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial year.

Notes:

(i) The revenue generated by a majority of the operating segments substantially comprise interest income. The Chief Operating Decision Maker relies primarily on the net interest income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

(ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia. During the financial year, the Group's wholly-owned subsidiary, AmFraser International Pte Ltd which was incorporated in Singapore was dissolved on 7 December 2020.

(iii) The comparatives have been restated with current business realignment.

51. BUSINESS SEGMENT ANALYSIS (CONT'D.)

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									
External revenue	3,000,386	652,388	1,459,254	1,487,247	225,754	137,134	1,602,612	(152,131)	8,412,644
Revenue from other segments	(428,721)	(129,597)	(513,066)	493,022	(9,311)	–	–	587,673	–
Total operating revenue	2,571,665	522,791	946,188	1,980,269	216,443	137,134	1,602,612	435,542	8,412,644
Net interest and funding income	1,327,766	296,821	609,997	485,693	45,796	1,065	112,587	55,657	2,935,382
Other income	271,349	93,089	119,920	293,593	163,426	135,849	503,102	(7,068)	1,573,260
Share in results of associates and joint ventures	(1,320)	–	–	–	–	–	43,900	1,233	43,813
Net income	1,597,795	389,910	729,917	779,286	209,222	136,914	659,589	49,822	4,552,455
Other operating expenses	(865,040)	(138,694)	(197,626)	(84,063)	(116,444)	(64,639)	(356,642)	(309,087)	(2,132,235)
of which:									
Depreciation of property and equipment	(21,007)	(1,829)	(1,978)	(144)	(979)	(222)	(5,972)	(37,761)	(69,892)
Depreciation of right-of-use assets	–	–	–	–	(200)	–	(12,161)	(69,981)	(82,342)
Amortisation of intangible assets	(31,145)	(839)	(8,399)	(1,465)	(652)	(188)	(19,102)	(48,905)	(110,695)
Profit/(Loss) before impairment losses and settlement	732,755	251,216	532,291	695,223	92,778	72,275	302,947	(259,265)	2,420,220
(Allowances for)/Writeback of impairment on loans, advances and financing	(538,815)	(29,355)	(230,633)	–	6,891	–	–	(325,024)	(1,116,936)
Writeback of/(Allowances for) impairment on other assets	376	–	432	(858)	295	(143)	6,208	8,706	15,016
Provision for commitments and contingencies – writeback/(charge)	4,718	(33,358)	(33,735)	–	–	–	–	23,079	(39,296)
Other recoveries/(write-offs), net	–	–	7,994	–	11	–	(3,660)	124	4,469
Impairment of goodwill	–	–	–	–	–	–	–	(1,789,153)	(1,789,153)
Impairment of investment in associate	–	–	–	–	–	–	–	(147,819)	(147,819)
Settlement	–	–	–	–	–	–	–	(2,830,000)	(2,830,000)
Profit/(Loss) before taxation and zakat	199,034	188,503	276,349	694,365	99,975	72,132	305,495	(5,319,352)	(3,483,499)
Taxation and zakat	(47,985)	(44,430)	(69,409)	(154,086)	(22,184)	(14,403)	(29,094)	152,996	(228,595)
Profit/(Loss) for the financial year	151,049	144,073	206,940	540,279	77,791	57,729	276,401	(5,166,356)	(3,712,094)
Other information									
Total segment assets	64,613,184	12,467,105	35,427,121	48,753,593	2,666,475	130,482	5,775,378	344,916	170,178,254
Total segment liabilities	48,123,330	8,379,102	16,923,128	61,535,312	1,099,456	24,350	3,363,322	15,139,895	154,587,895
Cost to income ratio	54.1%	35.6%	27.1%	10.8%	55.7%	47.2%	54.1%	>100.0%	46.8%
Gross loans, advances and financing	64,787,014	12,586,489	35,613,506	–	1,869,847	–	525	(98,873)	114,758,508
Net loans, advances and financing	63,602,326	12,452,854	35,120,450	–	1,869,469	–	456	(567,236)	112,478,319
Impaired loans, advances and financing	881,852	250,584	637,506	–	378	–	–	–	1,770,320
Total deposits	47,537,095	8,229,513	16,661,536	58,440,270	615,236	–	–	(1,019,577)	130,464,073
Additions to:									
Property and equipment	16,338	113	210	1,279	1,069	78	3,736	16,884	39,707
Intangible assets	22,155	41	6,010	9,049	2,932	252	10,705	41,272	92,416

51. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group	Retail banking RM'000	Business banking RM'000	Wholesale banking		Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
			Corporate banking RM'000	Group Treasury & Markets RM'000					
For the financial year ended 31 March 2020 (Restated)									
External revenue	3,275,523	705,023	1,817,814	1,635,321	229,409	112,998	1,608,540	(60,061)	9,324,567
Revenue from other segments	(358,915)	(176,121)	(847,330)	668,353	(21,288)	–	–	735,301	–
Total operating revenue	2,916,608	528,902	970,484	2,303,674	208,121	112,998	1,608,540	675,240	9,324,567
Net interest and funding income	1,222,905	277,459	619,326	230,313	39,133	1,065	130,757	252,966	2,773,924
Other income	242,395	88,849	160,302	227,114	153,593	111,715	463,322	9,082	1,456,372
Share in results of associates and joint ventures	963	–	–	–	–	–	(9,877)	5,774	(3,140)
Net income	1,466,263	366,308	779,628	457,427	192,726	112,780	584,202	267,822	4,227,156
Other operating expenses	(865,087)	(145,461)	(225,971)	(76,902)	(119,539)	(67,099)	(338,069)	(270,063)	(2,108,191)
of which:									
Depreciation of property and equipment	(19,922)	(734)	(1,383)	(106)	(832)	(271)	(9,449)	(30,169)	(62,866)
Depreciation of right-of-use assets	–	–	–	–	(279)	–	(15,047)	(65,884)	(81,210)
Amortisation of intangible assets	(20,738)	(78)	(6,104)	(1,564)	(756)	(173)	(18,884)	(60,611)	(108,908)
Profit/(Loss) before impairment losses	601,176	220,847	553,657	380,525	73,187	45,681	246,133	(2,241)	2,118,965
(Allowances for)/Writeback of impairment on loans, advances and financing	(194,079)	(64,089)	68,996	–	6,427	–	–	(139,886)	(322,631)
(Allowances for)/Writeback of impairment on other assets	(20)	–	2,166	(35,696)	(591)	(125)	8,602	(10,954)	(36,618)
Provision for commitments and contingencies – writeback/(charge)	7,012	7,064	24,665	–	–	–	–	(16,474)	22,267
Other recoveries/(write-offs), net	31	–	73	–	34	(5)	(4,696)	5,436	873
Profit/(Loss) before taxation and zakat	414,120	163,822	649,557	344,829	79,057	45,551	250,039	(164,119)	1,782,856
Taxation and zakat	(99,120)	(38,207)	(155,767)	(66,617)	(17,441)	(8,737)	(31,810)	87,676	(330,023)
Profit/(Loss) for the financial year	315,000	125,615	493,790	278,212	61,616	36,814	218,229	(76,443)	1,452,833
Other information									
Total segment assets	59,094,425	11,133,363	35,455,875	52,821,965	2,222,996	107,207	5,775,754	2,591,501	169,203,086
Total segment liabilities	46,377,498	7,323,178	13,552,801	67,571,278	1,370,435	23,804	3,345,980	10,078,072	149,643,046
Cost to income ratio	59.0%	39.7%	29.0%	16.8%	62.0%	59.5%	57.9%	>100.0%	49.9%
Gross loans, advances and financing	58,892,352	11,247,673	35,596,265	–	1,582,737	–	772	(101,189)	107,218,610
Net loans, advances and financing	58,109,154	11,125,236	35,382,588	–	1,577,913	–	702	(244,663)	105,950,930
Impaired loans, advances and financing	923,980	282,650	644,200	–	1,803	–	–	–	1,852,633
Total deposits	45,695,029	7,184,747	13,273,262	57,174,708	832,879	–	–	(1,171,992)	122,988,633
Additions to:									
Property and equipment	20,569	269	590	411	1,757	94	3,040	31,706	58,436
Intangible assets	19,044	34	1,501	8,896	829	219	9,494	47,341	87,358

52. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

	General insurance fund		Shareholders' funds and Others		Total*	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS						
Cash and short-term funds	137,680	176,935	128,127	107,419	265,807	284,354
Deposits and placements with banks and other financial institutions	20,180	19,766	–	–	20,180	19,766
Financial assets at fair value through profit or loss	2,397,597	2,311,801	4,511,146	4,522,749	3,498,507	3,468,693
Loans and advances	456	702	–	–	456	702
Deferred tax assets	23,005	18,211	–	–	23,005	18,211
Investment in a subsidiary	–	–	1,708,733	1,808,733	–	–
Other assets	1,193,820	1,013,413	59,000	64,616	112,954	135,757
Reinsurance assets and other insurance receivables	432,684	457,906	–	–	432,684	457,906
Property and equipment	13,764	16,019	(59)	(59)	13,705	15,960
Right-of-use assets	45,682	46,468	–	–	45,682	46,468
Intangible assets	45,502	49,873	58,803	62,829	883,231	891,628
Assets held for sale	1,562	1,562	762	762	2,324	2,324
TOTAL ASSETS	4,311,932	4,112,656	6,466,512	6,567,049	5,298,535	5,341,769
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	–	–	487,170	472,064	487,170	472,064
Deferred tax liabilities	–	–	59,631	64,275	59,631	64,275
Other liabilities	329,495	322,424	1,147,445	949,885	337,514	330,477
Insurance contract liabilities and other insurance payables	2,479,007	2,479,164	–	–	2,479,007	2,479,164
Total Liabilities	2,808,502	2,801,588	1,694,246	1,486,224	3,363,322	3,345,980
Share capital**	–	–	5,642,440	5,680,036	1,599,148	1,599,148
Reserves	1,503,430	1,311,068	(870,174)	(599,211)	336,065	396,641
Equity attributable to equity holders of the Company	1,503,430	1,311,068	4,772,266	5,080,825	1,935,213	1,995,789
TOTAL LIABILITIES AND EQUITY	4,311,932	4,112,656	6,466,512	6,567,049	5,298,535	5,341,769

* After elimination on consolidation

** Comprising:

	Note	2021 RM'000	2020 RM'000
Ordinary share capital		1,030,000	1,130,000
Preference share capital		169,148	169,148
Transfer from retained earnings arising from redemption of preference shares	16(a)(3)(ii)	400,000	300,000
		1,599,148	1,599,148

Note:
Shareholders' funds and Others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

52. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	General insurance fund		Shareholders' funds and Others		Total*	
Group	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	2,244	3,765	131,449	147,447	133,693	151,212
Interest expense	–	–	(21,106)	(20,455)	(21,106)	(20,455)
Net interest income	2,244	3,765	110,343	126,992	112,587	130,757
Income from insurance business	1,398,558	1,428,732	–	–	1,398,558	1,428,732
Insurance claims and commissions**	(921,918)	(1,003,883)	–	–	(921,918)	(1,003,883)
Net income from insurance business business	476,640	424,849	–	–	476,640	424,849
Other operating income	90,443	128,062	278,357	285,293	26,462	38,473
Net income	569,327	556,676	388,700	412,285	615,689	594,079
Other operating expenses	(346,296)	(327,530)	(10,346)	(10,539)	(356,642)	(338,069)
Operating profit	223,031	229,146	378,354	401,746	259,047	256,010
Writeback of allowance for impairment:						
– Reinsurance assets and insurance receivables	6,208	8,602	–	–	6,208	8,602
Other write-offs, net	(3,660)	(4,696)	–	–	(3,660)	(4,696)
Profit before taxation	225,579	233,052	378,354	401,746	261,595	259,916
Taxation	(34,139)	(46,911)	5,045	15,101	(29,094)	(31,810)
Profit for the financial year	**191,440**	**186,141**	**383,399**	**416,847**	**232,501**	**228,106**

* After elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM17,673,000 (2020: RM15,859,000)

52. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group 2021 RM'000	Group 2020 RM'000
Income from general insurance		1,398,558	1,428,732
	(a)	1,398,558	1,428,732
Insurance claims and commissions			
Insurance commissions		127,210	137,753
Insurance claims	(b)	777,035	850,271
		904,245	988,024
		494,313	440,708
(a) Income from general insurance business			
Gross Premium			
– insurance contract		1,559,472	1,575,869
– change in unearned premium provision		616	(8,460)
		1,560,088	1,567,409
Premium ceded			
– insurance contract		(164,772)	(140,045)
– change in unearned premium provision		3,242	1,368
		(161,530)	(138,677)
		1,398,558	1,428,732
(b) Insurance claims			
– gross benefits and claims paid		850,870	977,341
– claims ceded to reinsurers		(77,372)	(101,854)
– change in contract liabilities-insurance contract		(13,468)	(98,452)
– change in contract liabilities ceded to reinsurers-insurance contract		17,005	73,236
		777,035	850,271

52. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE RECEIVABLES

	Group	
	2021 RM'000	2020 RM'000
Amount owing by reinsurance and cedants	5,887	6,025
Due premiums including agents/brokers and co-insurers balances	65,737	83,266
Accumulated impairment losses	(18,732)	(24,755)
	52,892	64,536
The movement in accumulated impairment losses is as follows:		
Balance at beginning of the financial year	24,755	32,978
Writeback for the financial year	(6,023)	(8,223)
Balance at end of the financial year	18,732	24,755

(V) INSURANCE PAYABLES

	Group	
	2021 RM'000	2020 RM'000
Amount due to agents and intermediaries	21,812	17,068
Amount due to reinsurers and cedants	34,220	25,037
	56,032	42,105

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2021				
Provision for claims reported by policyholders		938,423	(218,755)	719,668
Provision for incurred but not reported claims ("IBNR")		641,810	(78,115)	563,695
Provision for risk margin for adverse deviation ("PRAD")		133,638	(27,065)	106,573
Provision for outstanding claims	(I)	1,713,871	(323,935)	1,389,936
Less: Accumulated impairment loss on reinsurance assets	(III)	–	2,075	2,075
		1,713,871	(321,860)	1,392,011
Provision for unearned premiums	(II)	709,104	(57,932)	651,172
		2,422,975	(379,792)	2,043,183
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,727,339	(340,940)	1,386,399
Claims incurred in the current accident year		1,092,370	(128,685)	963,685
Movements in claims incurred in prior accident years		(252,603)	68,318	(184,285)
Claims incurred during the year (treaty inwards claims)		(2,365)	–	(2,365)
Claims paid during the financial year		(850,870)	77,372	(773,498)
Balance at end of the financial year		1,713,871	(323,935)	1,389,936
(II) Provision for unearned premiums				
Balance at beginning of the financial year		709,720	(54,690)	655,030
Premiums written in the financial year		1,559,472	(164,772)	1,394,700
Premiums earned during the financial year		(1,560,088)	161,530	(1,398,558)
Balance at end of the financial year		709,104	(57,932)	651,172
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				2,260
Writeback for the financial year				(185)
Balance at the end of the financial year				2,075

52. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (cont'd.)

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2020				
Provision for claims reported by policyholders		910,156	(202,793)	707,363
Provision for incurred but not reported claims ("IBNR")		682,528	(110,139)	572,389
Provision for risk margin for adverse deviation ("PRAD")		134,655	(28,008)	106,647
Provision for outstanding claims	(I)	1,727,339	(340,940)	1,386,399
Less: Accumulated impairment loss on reinsurance assets	(III)	–	2,260	2,260
		1,727,339	(338,680)	1,388,659
Provision for unearned premiums	(II)	709,720	(54,690)	655,030
		2,437,059	(393,370)	2,043,689
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,825,785	(414,171)	1,411,614
Claims incurred in the current accident year		1,243,368	(180,489)	1,062,879
Movements in claims incurred in prior accident years		(361,052)	151,870	(209,182)
Claims incurred during the year (treaty inwards claims)		(3,427)	–	(3,427)
Claims paid during the financial year		(977,335)	101,850	(875,485)
Balance at end of the financial year		1,727,339	(340,940)	1,386,399
(II) Provision for unearned premiums				
Balance at beginning of the financial year		701,260	(53,322)	647,938
Premiums written in the financial year		1,575,869	(140,045)	1,435,824
Premiums earned during the financial year		(1,567,409)	138,677	(1,428,732)
Balance at end of the financial year		709,720	(54,690)	655,030
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				2,639
Writeback for the financial year				(379)
Balance at the end of the financial year				2,260

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In setting provisions for claims, the insurance subsidiary gives consideration to the probability and magnitude of future claim experience being more adverse than assumed and exercises a degree of caution in setting the reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin to provide necessary confidence in adequacy is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the insurance subsidiary believes that the estimates of total claims outstanding as of the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Subtotal RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,242,423	1,194,735	1,070,130	1,227,522	1,161,460	1,150,177	1,243,368	1,092,370			
One year later	1,080,837	1,044,183	1,029,824	1,149,852	1,084,565	1,096,000	1,186,034				
Two years later	1,087,252	998,909	1,007,382	1,098,273	1,021,983	1,044,485					
Three years later	1,049,005	933,819	916,884	1,032,313	970,496						
Four years later	1,009,429	901,250	875,653	964,732							
Five years later	962,660	883,480	873,158								
Six years later	950,541	869,500									
Seven years later	971,027										
Current estimate of accumulative claims incurred	971,027	869,500	873,158	964,732	970,496	1,044,485	1,186,034	1,092,370			
At the end of accident year	(382,587)	(350,724)	(362,327)	(418,997)	(413,496)	(406,582)	(454,994)	(372,078)			
One year later	(695,027)	(637,079)	(631,989)	(728,719)	(697,414)	(689,369)	(714,911)				
Two years later	(815,309)	(755,020)	(743,674)	(841,971)	(812,808)	(796,663)					
Three years later	(874,842)	(813,229)	(809,249)	(891,723)	(867,295)						
Four years later	(901,975)	(834,470)	(825,027)	(916,406)							
Five years later	(924,531)	(843,007)	(835,583)								
Six years later	(929,868)	(849,203)									
Seven years later	(933,371)										
Cumulative payments to-date	(933,371)	(849,203)	(835,583)	(916,406)	(867,295)	(796,663)	(714,911)	(372,078)			
Gross general insurance claims liabilities (direct and facultative)	37,656	20,297	37,575	48,326	103,201	247,822	471,123	720,292	1,686,292	27,579	1,713,871

* Malaysian Motor Insurance Pool

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (cont'd.)

Net general insurance claims liabilities for 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Subtotal RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	1,028,962	1,089,589	997,614	1,093,341	1,007,302	1,003,559	1,062,879	963,685			
One year later	959,376	951,089	959,397	1,058,098	977,750	973,556	1,032,528				
Two years later	982,953	907,365	924,948	1,008,222	931,761	935,655					
Three years later	935,316	844,427	850,963	947,314	875,023						
Four years later	884,072	809,285	809,036	886,015							
Five years later	871,175	797,601	805,537								
Six years later	862,818	791,601									
Seven years later	871,808										
Current estimate of accumulative claims incurred	871,808	791,601	805,537	886,015	875,023	935,655	1,032,528	963,685			
At the end of accident year	(362,384)	(333,247)	(344,190)	(392,175)	(385,934)	(388,951)	(443,656)	(350,808)			
One year later	(654,303)	(593,744)	(592,213)	(672,310)	(644,402)	(637,657)	(665,818)				
Two years later	(760,861)	(694,478)	(695,841)	(776,164)	(747,217)	(729,367)					
Three years later	(809,793)	(746,892)	(751,734)	(823,772)	(797,115)						
Four years later	(833,686)	(765,158)	(769,552)	(845,560)							
Five years later	(844,590)	(773,177)	(779,160)								
Six years later	(849,068)	(778,865)									
Seven years later	(852,802)										
Cumulative payments to-date	(852,802)	(778,865)	(779,160)	(845,560)	(797,115)	(729,367)	(665,818)	(350,808)			
Net general insurance claims liabilities (direct and facultative)	19,006	12,736	26,377	40,455	77,908	206,288	366,710	612,877	1,362,357	27,579	1,389,936

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Gross general insurance contract liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178	1,243,368			
One year later	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565	1,096,000				
Two years later	1,061,512	1,087,252	998,910	1,007,382	1,098,274	1,021,983					
Three years later	1,106,863	1,049,006	933,819	916,885	1,032,314						
Four years later	1,052,914	1,009,430	901,251	875,653							
Five years later	1,028,657	962,661	883,481								
Six years later	1,027,931	950,541									
Seven years later	1,030,948										
Current estimate of accumulative claims incurred	1,030,948	950,541	883,481	875,653	1,032,314	1,021,983	1,096,000	1,243,368			
At the end of accident year	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)	(454,994)			
One year later	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)	(689,370)				
Two years later	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)	(812,808)					
Three years later	(941,110)	(874,843)	(813,229)	(809,250)	(891,723)						
Four years later	(971,793)	(901,976)	(834,470)	(825,028)							
Five years later	(984,310)	(924,531)	(843,008)								
Six years later	(988,726)	(929,868)									
Seven years later	(991,871)										
Cumulative payments to-date	(991,871)	(929,868)	(843,008)	(825,028)	(891,723)	(812,808)	(689,370)	(454,994)			
Gross general insurance claims liabilities (direct and facultative)	39,077	20,673	40,473	50,625	140,591	209,175	406,630	788,374	1,695,618	31,721	1,727,339

* Malaysian Motor Insurance Pool

52. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Net general insurance claims liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,559	1,062,879			
One year later	896,635	959,376	951,089	959,398	1,058,099	977,750	973,556				
Two years later	860,834	982,953	907,365	924,949	1,008,222	931,761					
Three years later	885,185	935,316	844,427	850,963	947,314						
Four years later	849,500	884,072	809,285	809,037							
Five years later	831,688	871,175	797,601								
Six years later	824,031	862,818									
Seven years later	828,077										
Current estimate of accumulative claims incurred	828,077	862,818	797,601	809,037	947,314	931,761	973,556	1,062,879			
At the end of accident year	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)	(443,656)			
One year later	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)	(637,658)				
Two years later	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)	(747,218)					
Three years later	(773,550)	(809,793)	(746,892)	(751,734)	(823,773)						
Four years later	(797,507)	(833,687)	(765,158)	(769,553)							
Five years later	(808,834)	(844,590)	(773,178)								
Six years later	(811,696)	(849,069)									
Seven years later	(814,260)										
Cumulative payments to-date	(814,260)	(849,069)	(773,178)	(769,553)	(823,773)	(747,218)	(637,658)	(443,656)			
Gross general insurance claims liabilities (direct and facultative)	13,817	13,749	24,423	39,484	123,541	184,543	335,898	619,223	1,354,678	31,721	1,386,399

52. INSURANCE BUSINESS (CONT'D.)

(VIII) REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARE

In the financial year ended 31 March 2013, AmGeneral Holdings Berhad ("AMGH") (a 51% owned subsidiary) had issued RM600 million of Redeemable Cumulative Convertible Preference Share ("RCCPS") and the salient features of the RCCPS are as follows:

(i) The RCCPS are redeemable during the redemption period from 27 September 2012 to 26 September 2027 ("maturity date"). The RCCPS will be redeemed during the redemption period or at the maturity date with the redemption price equal to the issue price.

(ii) The RCCPS confers on the holders the right to a fixed cumulative preference dividend calculated at 1% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RCCPS, in priority to any other classes of shares to the extent that there are profits available for distribution and compliance with the capital adequacy requirements as stipulated by BNM.

(iii) The RCCPS holders are entitled at any time to convert all or any of the RCCPS held to ordinary shares in AMGH on the basis of one RCCPS for one new ordinary share.

At Group, the RCCPS is presented net of deferred tax, and reflects only the portion issued to the non-controlling interests.

53. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements excluding financial assets not subject to offset and that are only subject to collateral arrangements (e.g. loans, advances and financing) are as follows:-

	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Amount not offset in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	
2021						
Derivative financial assets	1,291,190	–	1,291,190	(773,726)	(145,035)	372,429
Other assets	2,466,312	(24,876)	2,441,436	(170,489)	(16,435)	2,254,512
	3,757,502	(24,876)	3,732,626	(944,215)	(161,470)	2,626,941
Derivative financial liabilities	1,269,809	–	1,269,809	(773,726)	(552,339)	(56,256)
Other liabilities	5,916,607	(24,876)	5,891,731	–	–	5,891,731
	7,186,416	(24,876)	7,161,540	(773,726)	(552,339)	5,835,475
2020						
Derivative financial assets	2,077,281	–	2,077,281	(1,054,574)	(227,924)	794,783
Other assets	2,818,444	(9,010)	2,809,434	(36,096)	(10,731)	2,762,607
	4,895,725	(9,010)	4,886,715	(1,090,670)	(238,655)	3,557,390
Derivative financial liabilities	1,960,103	–	1,960,103	(1,054,574)	(1,035,710)	(130,181)
Other liabilities	3,974,928	(9,010)	3,965,918	–	–	3,965,918
	5,935,031	(9,010)	5,926,021	(1,054,574)	(1,035,710)	3,835,737

54. ASSETS HELD FOR SALE

	Group	
	2021 RM'000	2020 RM'000
Asset held for sale		
Proposed disposal of property	2,324	2,324
	2,324	2,324

	Note	Group	
		2021 RM'000	2020 RM'000
Balance at beginning of the financial year		2,324	5,029
Transferred from property and equipment during the financial year	19	–	3,782
Disposal completed during the financial year		–	(6,487)
Balance at end of the financial year		2,324	2,324

The disposal in previous financial year had resulted in gain of approximately RM1.5 million as disclosed in Note 34.

55. RESTATEMENT OF COMPARATIVE INFORMATION

The Group continuously strengthen its regulatory reporting framework. The Group has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Group had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Group makes disclosures pertaining to loans, advances and financing. The comparatives on breakdown of loans, advances and financing in Notes 13(a), (c), (d), (e) and (h) are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported cashflows from operations, financial position and performance of the Group.

56. OPERATIONS OF ISLAMIC BANKING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	Group 2021 RM'000	Group 2020 RM'000
ASSETS			
Cash and short-term funds	II	9,398,989	5,923,823
Derivative financial assets		49,667	59,653
Financial assets at fair value through profit or loss	III	2,271,667	1,750,250
Financial investments at fair value through other comprehensive income	IV	4,095,135	4,896,694
Financial investments at amortised cost	V	1,392,155	1,689,082
Financing and advances	VI	35,389,517	31,907,446
Statutory deposit with Bank Negara Malaysia		113,000	147,000
Deferred tax assets	VII	63,074	299
Other assets	VIII	342,261	287,745
Property and equipment	IX	440	481
Right-of-use assets	X	2,351	2,759
Intangible assets	XI	718	1,034
TOTAL ASSETS		53,118,974	46,666,266
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	XII	41,732,511	34,672,130
Investment accounts of customers	XIII	94,834	208,726
Deposits and placements of banks and other financial institutions	XIV	3,177,611	3,449,770
Investment account due to a licensed bank	XV	718,034	718,005
Recourse obligation on financing sold to Cagamas Berhad		800,000	1,000,000
Derivative financial liabilities		67,751	83,865
Term funding	25(a)(ii) & (c)(ii)	1,034,766	1,034,697
Subordinated Sukuk	26(a)(i)	1,300,000	1,150,000
Deferred tax liabilities	VII	1,578	9,639
Other liabilities	XVI	296,010	559,440
TOTAL LIABILITIES		49,223,095	42,886,272
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,478,772	2,362,887
TOTAL ISLAMIC BANKING FUNDS		3,895,879	3,779,994
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		53,118,974	46,666,266
COMMITMENTS AND CONTINGENCIES	XXX	14,742,101	13,487,792

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Group 2021 RM'000	Group 2020 RM'000
Income derived from investment of depositors' funds	XVII	1,620,180	1,786,624
Income derived from investment of investment account funds	XVIII	32,073	79,243
Income derived from Islamic Banking Funds	XIX	176,963	217,087
Allowances for impairment on financing and advances – net	XX	(515,864)	(156,292)
Writeback of/(Allowances for) impairment on:			
– Financial investments	XXI	10,598	1,410
– Other financial assets	XXII	(49)	(19)
Provision for commitments and contingencies – writeback/(charge)	XXIII	2,433	(32)
Total distributable income		1,326,334	1,928,021
Income attributable to the depositors and others	XXIV	(777,274)	(1,006,466)
Income attributable to investment account holders	XXV	(26,612)	(68,442)
Total net income		522,448	853,113
Operating expenses	XXVI	(296,934)	(308,795)
Finance costs		(98,692)	(99,280)
Profit before taxation and zakat		126,822	445,038
Taxation and zakat	XXVII	1,340	(93,341)
Profit for the financial year		128,162	351,697

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Group 2021 RM'000	Group 2020 RM'000
Profit for the financial year	128,162	351,697
Other comprehensive income:		
Items that may be reclassified subsequently to statement of profit or loss		
Financial investments at FVOCI:		
– net unrealised (loss)/gain for changes in fair value	(103)	34,949
– changes in expected credit losses	(10,838)	(1,386)
– net gain reclassified to profit or loss	(2,015)	(10,627)
– tax effect	679	(5,838)
Other comprehensive (loss)/income for the financial year, net of tax	(12,277)	17,098
Total comprehensive income for the financial year	115,885	368,795

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

Group		Non-Distributable		Distributable	
	Share capital/ capital funds RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2019	1,417,107	164,928	39,151	2,002,592	3,623,778
Profit for the financial year	–	–	–	351,697	351,697
Other comprehensive income, net	–	–	17,098	–	17,098
Total comprehensive income for the financial year	–	–	17,098	351,697	368,795
Transfer to retained earnings	–	(93,316)	–	93,316	–
Dividend paid	–	–	–	(212,579)	(212,579)
	–	(93,316)	–	(119,263)	(212,579)
At 31 March 2020	1,417,107	71,612	56,249	2,235,026	3,779,994
At 1 April 2020	1,417,107	71,612	56,249	2,235,026	3,779,994
Profit for the financial year	–	–	–	128,162	128,162
Other comprehensive (loss)/income, net	–	–	(12,277)	–	(12,277)
Total comprehensive (loss)/income for the financial year	–	–	(12,277)	128,162	115,885
Transfer to retained earnings*	–	(71,612)	–	71,612	–
	–	(71,612)	–	71,612	–
At 31 March 2021	1,417,107	–	43,972	2,434,800	3,895,879

* Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to the COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Group	
	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	126,822	445,038
Adjustments for:		
Accretion of discount less amortisation of premium for securities	(58,672)	(48,165)
Allowances for impairment on financing and advances (Note 56 (XX))	615,506	236,362
Depreciation of right-of-use assets	299	143
Depreciation of property and equipment	128	132
Amortisation of intangible assets	379	369
Finance cost – lease liabilities	74	26
Finance cost – provision for reinstatement of leased properties	2	1
Gain on disposal of financial assets at fair value through profit or loss	(17,505)	(15,496)
Loss/(Gain) on revaluation of financial assets at fair value through profit or loss	770	(348)
(Gain)/Loss on revaluation of derivatives	(6,127)	11,829
Unrealised loss/(gain) on revaluation of hedged item arising from fair value hedge	6,177	(14,479)
Shares granted under Executives' Share Scheme	1,726	956
(Writeback of)/Allowances for ECL on:		
– financial investments (Note 56 (XXI))	(10,598)	(1,410)
– cash and short term funds (Note 56 (XXII))	49	19
– commitments and contingencies (Note 56 (XXIII))	(2,433)	32
Gain on disposal of financial investments at fair value through other comprehensive income	(2,015)	(10,627)
Net adjustments of COVID-19 relief measures	(12,130)	–
Operating profit before working capital changes	642,452	604,382
(Increase)/Decrease in operating assets		
Financial assets at fair value through profit or loss	(470,415)	3,412,141
Financing and advances	(4,199,819)	(3,221,716)
Statutory deposit with Bank Negara Malaysia	34,000	823,000
Other assets	26,086	171,332
Increase/(Decrease) in operating liabilities		
Deposits from customers	7,060,381	3,532,194
Investment accounts of customers	(113,892)	(144,725)
Deposits and placements of banks and other financial institutions	(254,267)	913,046
Investment account due to a licensed bank	29	(747,534)
Recourse obligation on financing sold to Cagamas Berhad	(200,000)	481,650
Term funding	69	(45,303)
Other liabilities	(261,209)	219,859
Cash generated from operating activities	2,263,415	5,998,326
Zakat paid	(2,705)	(2,445)
Tax paid	(51,388)	(104,787)
Net cash generated from operating activities	2,209,322	5,891,094

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D.)

	Group	
	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(Purchase) of financial investments at fair value through other comprehensive income	817,549	(1,348,140)
Redemption of financial investments at amortised cost	298,822	25,000
Purchase of property and equipment	(87)	(33)
Purchase of intangible assets	(63)	(52)
Net cash generated from/(used in) investing activities	1,116,221	(1,323,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	–	(212,579)
Rental payment for lease liabilities	(328)	(146)
Issuance of Subordinated Sukuk	400,000	–
Repayment of Subordinated Sukuk	(250,000)	–
Net cash generated from/(used in) financing activities	149,672	(212,725)
Net increase in cash and cash equivalents	3,475,215	4,355,144
Cash and cash equivalents at beginning of the financial year	5,923,849	1,568,705
Cash and cash equivalents at end of the financial year	9,399,064	5,923,849
Cash and cash equivalents comprise:		
Cash and short-term funds	9,398,989	5,923,823
Add:		
Allowances for ECL	75	26
	9,399,064	5,923,849

The accompanying notes form an integral part of the financial statements of the operations of Islamic banking.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING

(I) ISLAMIC BANKING BUSINESS

Shariah Committee and governance

The Shariah Committee comprises six (6) members and is responsible and accountable for matters related to Shariah. This includes:

i. advising Board of Directors and Management of AmBank Islamic on Shariah matters;
ii. endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operation; and
iii. providing advice and guidance on management of zakat fund, charity and other social programme activities.

The Shariah Committee members also sit in the Shariah Oversight Committee, a sub-committee of the Shariah Committee performing an oversight function from Shariah perspective to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. The Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents as well as treatment of Shariah non-compliance income.

Shariah non-compliance incident and income

For the financial year ended 31 March 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee.

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the Bank's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by the Bank.

The Bank has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future.

For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

(II) CASH AND SHORT-TERM FUNDS

	Group	
	2021 RM'000	2020 RM'000
Cash and bank balances	134,064	457,629
Less: Allowances for ECL	(75)	(26)
	133,989	457,603
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	9,005,000	5,116,220
Licensed banks	80,000	–
Other financial institutions	180,000	350,000
	9,398,989	5,923,823

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(II) CASH AND SHORT-TERM FUNDS (CONT'D.)

Movements in allowances for ECL are as follow:

	Stage 1 12-month ECL RM'000
2020	
Balance at beginning of the financial year	6
Allowances for ECL during the financial year	19
Net remeasurement of allowances	11
Changes in model assumptions and methodologies	8
Foreign exchange differences	1
Balance at end of the financial year	26

	Stage 1 12-month ECL RM'000
2021	
Balance at beginning of the financial year	26
Allowances for ECL during the financial year	49
Changes in model assumptions and methodologies	(8)
New financial assets originated	61
Net remeasurement of allowances	(4)
Balance at end of the financial year	75

The increase in allowances for ECL in Stage 1 by RM49,000 mainly due to increase in new financial assets originated of RM61,000 offset by reversal of FL ECL overlay of RM8,000 and net remeasurement of allowances of RM4,000.

(III) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2021 RM'000	2020 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	1,527,211	468,011
Malaysian Government Investment Issues	171,557	870,243
Bank Negara Monetary Notes	–	299,187
	1,698,768	1,637,441
Unquoted Securities in Malaysia:		
Sukuk	572,899	112,809
	2,271,667	1,750,250

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IV) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	2021 RM'000	2020 RM'000
At fair value:		
Money market instruments:		
Malaysian Government Investment Issues	1,325,806	1,301,151
Islamic negotiable instruments of deposit	399,386	299,544
	1,725,192	1,600,695
Unquoted securities:		
In Malaysia:		
Sukuk	2,369,943	3,295,999
	4,095,135	4,896,694

Movements in allowances for ECL are as follows:

	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2020				
Balance at beginning of the financial year		2,383	18,636	21,019
Net allowances for/(writeback of) ECL	(XXI)	1,575	(2,961)	(1,386)
– Transfer to 12-month ECL (Stage 1)		561	(689)	(128)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(260)	334	74
New financial asset originated		4,546	2,759	7,305
Financial asset derecognised		(4,100)	(2,722)	(6,822)
Changes in model assumptions and methodologies		1,149	2,199	3,348
Net remeasurement of allowances		(321)	(4,842)	(5,163)
Balance at end of the financial year		3,958	15,675	19,633

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IV) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for ECL are as follows: (cont'd.)

	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year		3,958	15,675	19,633
Net writeback of ECL	(XXI)	(1,990)	(8,848)	(10,838)
New financial asset originated		645	–	645
Financial asset derecognised		(1,519)	(4,049)	(5,568)
Changes in model assumptions and methodologies		(1,149)	(2,199)	(3,348)
Net remeasurement of allowances		33	(2,600)	(2,567)
Balance at end of the financial year		1,968	6,827	8,795

The movements in allowances for ECL are mainly contributed by:

(a) Decrease in Stage 1 ECL due to derecognition of financial assets and reversal of FL ECL overlay provided in the previous financial year, offset by new financial assets originated and net remeasurement of allowances.

(b) Decrease in Stage 2 ECL mainly due to financial assets derecognised, reversal of FL ECL overlay provided in the previous financial year and net remeasurement of allowances.

(V) FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	2021 RM'000	2020 RM'000
At amortised cost:		
Money Market Instruments:		
Malaysian Government Investment Issues	260,852	260,733
Unquoted Securities:		
In Malaysia:		
Sukuk	1,131,826	1,428,632
Less: Allowances for ECL	(523)	(283)
	1,392,155	1,689,082

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(V) FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

Movements in allowances for ECL are as follow:

Group	Stage 1 12-month ECL RM'000
2020	
Balance at beginning of the financial year	307
Net (writeback of)/allowances for ECL	(24)
Financial asset derecognised	(32)
Changes in model assumptions and methodologies	71
Net remeasurement of allowances	(63)
Balance at end of the financial year	283

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Balance at beginning of the financial year	283	–	283
Net (writeback of)/allowances for ECL	(185)	425	240
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(83)	425	342
Changes in model assumptions and methodologies	(71)	–	(71)
Net remeasurement of allowances	(31)	–	(31)
Balance at end of the financial year	98	425	523

The increase in allowances for ECL is mainly contributed by deterioration in credit quality of a counterparty which had resulted in the transfer to ECL Stage 2 offset by the reversal of FL ECL overlay provided in the previous financial year and net remeasurement of allowances.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES

(a) Financing and advances by type of financing and Shariah contracts are as follows:

Group	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
2021							
At amortised cost:							
Cash lines	–	586,926	–	–	612,527	–	1,199,453
Term financing	503,991	11,078,280	8,925	–	1,467,826	40,320	13,099,342
Revolving credit	42,065	3,217,574	–	–	1,123,575	–	4,383,214
Housing financing	2,736,494	6,544,595	45,197	–	–	–	9,326,286
Hire purchase receivables	4	–	–	4,003,861	–	–	4,003,865
Bills receivables	–	310,200	–	–	–	23,618	333,818
Credit card receivables	–	–	–	–	–	453,056	453,056
Trust receipts	–	283,607	–	–	–	–	283,607
Claims on customers under acceptance credits	–	1,848,952	–	–	–	259,041	2,107,993
Staff financing	–	12,454	–	–	–	–	12,454
Others	–	984,774	–	–	–	37,330	1,022,104
Gross financing and advances*	3,282,554	24,867,362	54,122	4,003,861	3,203,928	813,365	36,225,192
Allowance for impairment on financing and advances							
– Stage 1 – 12-month ECL							(144,366)
– Stage 2 – Lifetime ECL not credit impaired							(589,675)
– Stage 3 – Lifetime ECL credit impaired							(101,634)
Net financing and advances							35,389,517

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type of financing and Shariah contracts are as follows: (cont'd.)

Group	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
2020							
At amortised cost:							
Cash lines	–	590,232	–	–	852,540	–	1,442,772
Term financing	592,256	8,978,315	9,683	–	1,768,433	46,486	11,395,173
Revolving credit	42,097	3,611,361	–	–	1,438,189	–	5,091,647
Housing financing	2,818,376	4,608,763	46,279	–	–	–	7,473,418
Hire purchase receivables	4	–	–	3,769,943	–	–	3,769,947
Bills receivables	–	188,629	–	–	–	19,886	208,515
Credit card receivables	–	–	–	–	–	504,532	504,532
Trust receipts	–	231,520	–	–	–	–	231,520
Claims on customers under acceptance credits	–	1,638,191	–	–	–	295,391	1,933,582
Staff financing	–	2,443	–	–	–	–	2,443
Others	–	220,375	–	–	–	–	220,375
Gross financing and advances*	3,452,733	20,069,829	55,962	3,769,943	4,059,162	866,295	32,273,924
Allowance for impairment on financing and advances							
– Stage 1 – 12-month ECL							(101,638)
– Stage 2 – Lifetime ECL not credit impaired							(167,791)
– Stage 3 – Lifetime ECL credit impaired							(97,049)
Net financing and advances							31,907,446

* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangements between AmBank Islamic and AmBank. Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowances for impairment arising from the RA financing.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(b) The maturity structure of financing and advances are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Maturing within one year	9,714,383	10,177,040
Over one year to three years	2,239,547	2,215,750
Over three years to five years	2,624,024	3,566,338
Over five years	21,647,238	16,314,796
	36,225,192	32,273,924

(c) Gross financing and advances analysed by type of customers are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Domestic non-bank financial institutions	1,138,836	1,352,561
Domestic business enterprises		
– Small medium enterprises	6,645,241	6,620,988
– Others	9,281,608	8,459,783
Government and statutory bodies	304,227	506,602
Individuals	18,805,650	15,284,425
Other domestic entities	666	665
Foreign individuals and entities	48,964	48,900
	36,225,192	32,273,924

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(d) Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Fixed rate:		
Housing financing	149,361	130,452
Hire purchase receivables	3,942,830	3,677,033
Other financing	3,445,508	3,189,147
Variable rate:		
Base rate and lending/financing rate plus	18,398,613	15,143,124
Cost-plus	9,444,652	9,787,457
Other variable rates	844,228	346,711
	36,225,192	32,273,924

(e) Gross financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	1,234,973	1,383,594
Mining and quarrying	1,284,627	1,097,635
Manufacturing	4,461,415	3,886,609
Electricity, gas and water	272,784	222,289
Construction	1,203,347	1,296,182
Wholesale, retail trade, restaurants and hotels	2,614,281	1,823,695
Transport, storage and communication	1,915,289	1,713,395
Finance and insurance	1,175,374	1,511,840
Real estate	2,441,486	2,489,982
Business activities	518,055	1,217,301
Education and health	248,947	298,077
Household of which:	18,854,614	15,333,325
– Purchase of residential properties	9,378,972	7,518,591
– Purchase of transport vehicles	3,641,530	3,419,349
– Others	5,834,112	4,395,385
Gross financing and advances	36,225,192	32,273,924

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2021

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(f) Movements in impaired financing and advances are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	615,350	572,549
Additions during the financial year	385,160	455,618
Reclassified to non-impaired financing	(19,613)	(46,370)
Recoveries	(221,495)	(88,965)
Amount written off	(146,328)	(277,482)
Balance at end of the financial year	613,074	615,350
Gross impaired financing and advances as % of gross financing and advances	1.69%	1.91%
Financing loss coverage (including regulatory reserve)	138.9%	74.2%

(g) Impaired financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	2020 (Restated) (Note 55) RM'000
Agriculture	44,912	47,758
Mining and quarrying	2,284	2,371
Manufacturing	30,899	29,403
Electricity, gas and water	100	–
Construction	4,295	3,259
Wholesale, retail trade, restaurants and hotels	71,058	55,245
Transport, storage and communication	40,280	49,179
Real estate	243,134	243,083
Business activities	5,167	11,198
Education and health	1,022	1,453
Household of which:	169,923	172,401
– Purchase of residential properties	118,788	89,370
– Purchase of transport vehicles	16,617	43,072
– Others	34,518	39,959
Impaired financing and advances	613,074	615,350

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(h) Movements in allowances for ECL are as follows:

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020					
Balance at beginning of the financial year		80,362	204,632	122,627	407,621
Net allowances for/(writeback of) ECL during the year:	(XX)	21,299	(36,841)	251,904	236,362
– Transfer to 12-month ECL (Stage1)		3,659	(35,197)	(1,531)	(33,069)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(7,841)	60,718	(9,447)	43,430
– Transfer to Lifetime ECL credit impaired (Stage 3)		(883)	(6,440)	34,238	26,915
New financial assets originated		27,824	18,218	2,134	48,176
Net remeasurement of allowances		(8,935)	(66,765)	260,423	184,723
Changes in model assumptions and methodologies		22,825	20,731	(312)	43,244
Modification of contractual cash flows of financial assets		410	(179)	–	231
Financial assets derecognised		(15,760)	(27,927)	(33,601)	(77,288)
Foreign exchange differences		(23)	–	–	(23)
Amount written off		–	–	(277,482)	(277,482)
Balance at end of the financial year*		101,638	167,791	97,049	366,478

Group	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021					
Balance at beginning of the financial year		101,638	167,791	97,049	366,478
Net allowances for ECL during the year:	(XX)	42,708	421,885	150,913	615,506
– Transfer to 12-month ECL (Stage1)		3,805	(19,740)	(329)	(16,264)
– Transfer to Lifetime ECL not credit impaired (Stage 2)		(10,809)	80,382	(4,956)	64,617
– Transfer to Lifetime ECL credit impaired (Stage 3)		(518)	(6,739)	31,853	24,596
New financial assets originated		25,433	76,124	1,849	103,406
Net remeasurement of allowances		42,220	148,916	149,374	340,510
Changes in model assumptions and methodologies		(5,364)	159,869	–	154,505
Modification of contractual cash flows of financial assets		36	1,424	(29)	1,431
Financial assets derecognised		(12,095)	(18,351)	(26,849)	(57,295)
Foreign exchange differences		20	(1)	–	19
Amount written off		–	–	(146,328)	(146,328)
Balance at end of the financial year*		144,366	589,675	101,634	835,675

* Included ECL previously taken up by AmBank transferred in arising from early redemption of investment account contracts by AmBank which amounted to RM3.3 million in 31 March 2020. As at 31 March 2021, the gross exposure (including profit receivable) relating to RA financing amounted to RM719.5 million (2020: RM719.9 million). ECL allowance relating to the RA financing which amounted to RM1.9 million (2020: RM2.3 million) is taken up by AmBank.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCING AND ADVANCES (CONT'D.)

(h) Movements in allowances for ECL are as follows: (cont'd.)

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the changes in the allowance for impairment on financing and advances.

Overall, the total allowance for impairment on financing and advances for the Group had increased due to the following:

(a) 12-month ECL (Stage 1) – increase of RM42.7 million mainly due to the impacts from the net remeasurement of allowances and new financing and advances originated; partially offset by the impacts from financing and advances derecognised and the migration of financing and advances to Stage 2.

(b) Lifetime ECL not credit-impaired (Stage 2) – increase of RM421.9 million mainly due to the impacts from the change in model assumptions and methodologies, the change in credit risk and the migration of financial and advances to Stage 2; partially offset by the impacts from the migration of financing and advances to Stage 1 and financing and advances derecognised.

(c) Lifetime ECL credit-impaired (Stage 3) – increase of RM4.6 million mainly due to the impacts from the change in credit risk and the migration of financing and advances to Stage 3 due to deterioration in credit quality; partially offset by the impacts from financing and advances written-off and derecognised.

(VII) DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statements of financial position, after appropriate offsetting:

	Group	
	2021 RM'000	2020 RM'000
Deferred tax assets	63,074	299
Deferred tax liabilities	(1,578)	(9,639)
	61,496	(9,340)
Deferred tax assets and liabilities prior to offsetting are summarised as follows:		
Deferred tax assets	92,282	18,995
Deferred tax liabilities	(30,786)	(28,335)
	61,496	(9,340)

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows:

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
2021				
Other temporary differences	15,396	71,754	–	87,150
Deferred income	3,599	1,533	–	5,132
Deferred tax assets	18,995	73,287	–	92,282
Excess of capital allowance over depreciation	(90)	(175)	–	(265)
Deferred charges	(14,310)	(2,955)	–	(17,265)
Other temporary differences	(2,371)	–	–	(2,371)
Fair value reserve	(11,564)	–	679	(10,885)
Deferred tax liabilities	(28,335)	(3,130)	679	(30,786)

Group	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
2020				
Other temporary differences	11,063	4,333	–	15,396
Deferred income	3,496	103	–	3,599
Deferred tax assets	14,559	4,436	–	18,995
Excess of capital allowance over depreciation	(205)	115	–	(90)
Deferred charges	(13,377)	(933)	–	(14,310)
Other temporary differences	(2,522)	151	–	(2,371)
Fair value reserve	(5,726)	–	(5,838)	(11,564)
Deferred tax liabilities	(21,830)	(667)	(5,838)	(28,335)

(VIII) OTHER ASSETS

	Group	
	2021 RM'000	2020 RM'000
Trade debtors	93	2,211
Other receivables, deposits and prepayments	210,367	59,732
Amount due from related companies	–	77,114
Profit receivable	47,869	62,910
Tax recoverable	10,689	24,848
Deferred charges	73,243	60,930
	342,261	287,745

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IX) PROPERTY AND EQUIPMENT

Group	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-Progress RM'000	Total RM'000
2021						
Cost						
At beginning of the financial year	528	534	750	251	–	2,063
Additions	–	–	67	–	20	87
At end of the financial year	528	534	817	251	20	2,150
Accumulated Depreciation						
At beginning of the financial year	197	484	671	230	–	1,582
Depreciation for the financial year	54	21	40	13	–	128
At end of the financial year	251	505	711	243	–	1,710
Net Book Value						
As at 31 March 2021	277	29	106	8	20	440

Group	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-Progress RM'000	Total RM'000
2020						
Cost						
At beginning of the financial year	528	534	719	249	–	2,030
Additions	–	–	31	2	–	33
At end of the financial year	528	534	750	251	–	2,063
Accumulated Depreciation						
At beginning of the financial year	143	463	628	216	–	1,450
Depreciation for the financial year	54	21	43	14	–	132
At end of the financial year	197	484	671	230	–	1,582
Net Book Value						
As at 31 March 2020	331	50	79	21	–	481

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) RIGHT-OF-USE ASSETS

	Group	
	2021 RM'000	2020 RM'000
Premises		
Balance at beginning of the financial year	2,902	271
Additions	–	2,631
Remeasurement	(109)	–
Balance at end of the financial year	2,793	2,902
Accumulated amortisation		
Balance at beginning of the financial year	143	–
Depreciation charged for the financial year	299	143
Balance at end of the financial year	442	143
Carrying amount		
Balance at end of the financial year	2,351	2,759

(XI) INTANGIBLE ASSETS

	Computer software RM'000	Work-in-Progress RM'000	Total RM'000
2021			
Cost			
At beginning of the financial year	2,774	19	2,793
Additions	63	–	63
Reclassification	19	(19)	–
At end of the financial year	2,856	–	2,856
Accumulated Depreciation			
At beginning of the financial year	1,759	–	1,759
Amortisation for the financial year	379	–	379
At end of the financial year	2,138	–	2,138
Net Book Value	718	–	718

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XI) INTANGIBLE ASSETS (CONT'D.)

	Computer software RM'000	Work-in-Progress RM'000	Total RM'000
2020			
Cost			
At beginning of the financial year	2,741	–	2,741
Additions	33	19	52
At end of the financial year	2,774	19	2,793
Accumulated Depreciation			
At beginning of the financial year	1,390	–	1,390
Amortisation for the financial year	369	–	369
At end of the financial year	1,759	–	1,759
Net Book Value	1,015	19	1,034

(XII) DEPOSITS FROM CUSTOMERS

(i) By type of deposit:

	Group	
	2021 RM'000	2020 RM'000
Savings deposits		
Commodity murabahah	3,169,111	2,365,009
Qard	83,621	61,836
Demand deposits		
Commodity murabahah	9,012,721	7,812,982
Qard	443,683	337,707
Term deposits		
Commodity murabahah	28,786,399	23,517,738
Qard	236,976	278,734
Negotiable instruments of deposits		
Bai' Bithaman Ajil	–	298,124
	41,732,511	34,672,130

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XII) DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) The deposits are sourced from the following types of customers:

	Group	
	2021 RM'000	2020 RM'000
Business enterprises	27,148,886	21,496,027
Government and statutory bodies	4,429,701	3,024,183
Individuals	9,164,941	9,110,214
Others	988,983	1,041,706
	41,732,511	34,672,130

(iii) The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	2021 RM'000	2020 RM'000
Due within six months	24,293,982	19,728,247
Over six months to one year	4,104,731	3,207,927
Over one year to three years	614,839	1,141,416
Over three years to five years	9,823	17,006
	29,023,375	24,094,596

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	2021 RM'000	2020 RM'000
Unrestricted investment accounts:		
Without maturity		
– Wakalah	18,342	16,087
With maturity		
– Mudarabah	76,492	192,639
	94,834	208,726

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(a) Movement in the investment account is as follows:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2019	18,643	334,808
Funding inflows/(outflows)		
New placements during the financial year	–	713,572
Redemptions/Withdrawals during the financial year	(2,565)	(864,499)
Income from investment	541	11,341
AmBank Islamic's share of profit		
Profit distributed to mudarib	(532)	(2,583)
As at 31 March 2020	16,087	192,639
Funding inflows/(outflows)		
New placements during the financial year	–	616,993
Redemptions/Withdrawals during the financial year	2,246	(736,697)
Income from investment	331	6,135
AmBank Islamic's share of profit		
Profit distributed to mudarib	(322)	(2,578)
As at 31 March 2021	18,342	76,492
Investment asset:		
2021		
Interbank placement	18,342	–
Housing financing	–	76,492
Total investment	18,342	76,492
2020		
Interbank placement	16,087	–
Housing financing	–	192,639
Total investment	16,087	192,639

The investment accounts are sourced from the following types of customers:

	2021 RM'000	2020 RM'000
Business enterprises	68,200	170,926
Individuals	26,634	37,800
	94,834	208,726

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2021 and 31 March 2020.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(b) Average Profit Rate of Return and Average Performance Incentive Fee for the investment account are as follows:

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
2021			
Unrestricted investment account:			
less than 3 months	52.46	1.79	1.89
over 3 months to 1 year	66.13	2.73	–

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
2020			
Unrestricted investment account:			
less than 3 months	75.03	3.12	2.99
over 3 months to 1 year	82.09	3.77	–

(c) The maturity structure of investment accounts are as follows:

	Group	
	2021 RM'000	2020 RM'000
Unrestricted investment account:		
– Without maturity	18,342	16,087
– With maturity		
Due within six months	76,492	192,639
	94,834	208,726

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIV) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2021 RM'000	2020 RM'000
Non-Mudarabah:		
Licensed investment banks	99,799	389,040
Other financial institutions	1,374,710	1,729,954
Licensed banks	826,543	799,296
Licensed Islamic banks	847,028	521,970
Bank Negara Malaysia	29,531	9,510
	3,177,611	3,449,770

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	Note	Group	
		2021 RM'000	2020 RM'000
Restricted investment account ("RA")			
– Mudarabah Muqayyadah	(a)	718,034	718,005

(a) The RA is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by AmBank Islamic as the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio. Losses shall be borne solely by the capital provider. The capital provider for the RA contracts is AmBank, a related company.

(b) As at 31 March 2021, the tenure of the RA contracts is for a period ranging between 1 year to 9 years (2020: 2 years to 10 years).

(c) Movements in the investment account are as follows:

	2021 RM'000	2020 RM'000
At beginning of the financial year	718,005	1,465,539
Funding inflows/outflows		
New placements during the financial year	–	210,015
Disbursements/(redemptions) during the financial year, net*	29	(957,543)
Income attributable to investment account holders	(23,046)	(59,675)
Income from investment	25,607	67,361
AmBank Islamic's share of profit		
Profit distributed to mudarib	(2,561)	(7,692)
At end of the financial year	718,034	718,005
Investment asset:		
Financing	718,034	718,005
Total investment	718,034	718,005

* Disbursement/(redemption) amounts are inclusive of additional placements for existing contract of RM0.8 million (31 March 2020: RM74.3 million).

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

(d) Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	2021		2020	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
over 2 years to 5 years	90	2.94	89	4.04
more than 5 years	90	3.91	90	3.76

(XVI) OTHER LIABILITIES

		Group	
	Note	2021 RM'000	2020 RM'000
Other payables and accruals		234,456	497,333
Lease liabilities	(a)	2,341	2,704
Provision for reinstatement of leased properties	(b)	81	79
Deferred income		18,997	13,344
Provision for zakat and taxation		13,268	12,703
Provision for commitments and contingencies	(c)	300	5,500
Allowances for ECL on financing commitments and financial guarantees	(d)	15,831	18,269
Security deposit and advance payment for financing and advances		10,736	9,508
		296,010	559,440

(a) The movements in lease liabilities are as follows:

	Group	
	2021 RM'000	2020 RM'000
Premises		
At beginning of the financial year	2,704	241
Additions	–	2,583
Remeasurement	(109)	–
Finance cost charged	74	26
Payment of lease liabilities	(328)	(146)
At end of the financial year	2,341	2,704

The weighted-average incremental discounted borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 3.3% per annum.

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Bank is committed.

The costs relating to leases for which the Group applied the practical expedient of MFRS 16 for the current financial year end amounted to approximately RM1,000 (2020: RM1,000). There was no lease with contract term of less than 12 months.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

(a) Lease liabilities analysed by undiscounted contractual payments are as follows:

	Group	
	2021 RM'000	2020 RM'000
Premises		
Up to 1 month	26	28
> 1 month to 3 months	52	56
> 3 months to 6 months	78	85
> 6 months to 12 months	157	169
> 1 year to 5 years	990	1,110
Over 5 years	1,414	1,722
	2,717	3,170

(b) The movements for provision for reinstatement of leased properties are as follows:

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial year	79	30
Additions	–	48
Finance cost charged	2	1
At end of the financial year	81	79

(c) The movements in provision for commitments and contingencies are as follows:

	Group	
	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	5,500	15,724
Reversal of provision taken up under impaired financing and advances*	(5,200)	(10,224)
Balance at end of the financial year	300	5,500

* During the current financial year, AmBank Islamic reversed RM5.2 million relating to the provision for estimated expenditure in respect of AmBank Islamic's obligations to repurchase financing due to expiry of the repurchase obligations.

In the previous financial year, on 30 August 2019, AmBank Islamic had entered into a Supplemental Sales and Purchase Agreement ("Supplemental SPA") with the purchaser of non-performing financing, Aiqon Islamic Sdn Bhd ("Aiqon Islamic"). The Supplemental SPA for variation of terms and conditions of the original Sales and Purchase Agreement had included a limit of RM5.5 million to AmBank Islamic's liabilities for repurchase of financing. RM10.2 million provision was reversed in the previous financial year in relation to the Supplemental SPA.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Balance at beginning of the financial year	10,135	8,083	12	18,230
Net allowances for/(writeback of) ECL during the year:	1,539	(1,502)	(5)	32
– Transfer to 12-month ECL (Stage 1)	234	(2,018)	–	(1,784)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(511)	2,384	–	1,873
– Transfer to Lifetime ECL credit impaired (Stage 3)	(43)	(90)	133	–
New exposures originated	4,800	1,843	–	6,643
Net remeasurement of allowances	(2,544)	(3,349)	(138)	(6,031)
Exposures derecognised	(3,366)	(1,164)	–	(4,530)
Changes in model assumptions and methodologies	2,969	892	–	3,861
Foreign exchange difference	7	–	–	7
Balance at the end of the financial year	11,681	6,581	7	18,269

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2021				
Balance at beginning of the financial year	11,681	6,581	7	18,269
Net allowances for/(writeback of) ECL during the year:	(2,667)	226	8	(2,433)
– Transfer to 12-month ECL (Stage 1)	326	(2,131)	–	(1,805)
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(468)	2,315	–	1,847
– Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(46)	70	(1)
New exposures originated	3,875	2,719	8	6,602
Net remeasurement of allowances	450	(461)	(70)	(81)
Exposures derecognised	(3,856)	(1,278)	–	(5,134)
Changes in model assumptions and methodologies	(2,969)	(892)	–	(3,861)
Foreign exchange difference	(2)	(3)	–	(5)
Balance at the end of the financial year	9,012	6,804	15	15,831

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES (CONT'D.)

The movements in allowances for ECL are as follows:

(a) 12-month ECL (Stage 1) decreased by RM2.7 million mainly due to financial exposures derecognised and reversal of FL ECL overlay provided in previous financial year offset by new exposures originated and net remeasurement of allowances.

(b) Lifetime ECL not credit impaired (Stage 2) increased by RM0.2 million mainly due to new exposures originated and transfer to Stage 2, offset by transfer to Stage 1, financial exposures derecognised, reversal of FL ECL overlay provided in previous financial year and net remeasurement of allowances.

(c) Lifetime ECL credit impaired (Stage 3) increased due to new exposures originated and transfer to Stage 3 and offset by net remeasurement of allowances.

(XVII) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group	
	2021 RM'000	2020 RM'000
Finance income and hibah:		
Financing and advances*	1,200,108	1,331,149
Impaired financing and advances	4,465	1,438
Financial assets at fair value through profit or loss	47,001	76,521
Financial investments at amortised cost	68,646	69,369
Financial investments at fair value through other comprehensive income	177,199	167,744
Deposits and placements with financial institutions	63,134	49,634
Others	7	–
	1,560,560	1,695,855
Gain from sale of financial investments at fair value through other comprehensive income	1,844	9,660
Gain from sale of financial assets at fair value through profit and loss	16,023	14,086
(Loss)/Gain on revaluation of financial assets at fair value through profit and loss	(705)	316
(Loss)/Gain on foreign exchange	(2,661)	8,655
Loss on derivatives	(6,865)	(5,699)
Others	60	73
	7,696	27,091
Fee and commission income:		
Commission	18,397	19,546
Other fee income	33,527	44,132
	51,924	63,678
Total	1,620,180	1,786,624

* Included the net loss of RM63.1 million arising from government support measures implemented in response to COVID-19 pandemic.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVIII) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

		Group	
		2021 RM'000	2020 RM'000
Income derived from investment of:			
(i)	Restricted investment account	25,607	67,361
(ii)	Unrestricted investment account	6,466	11,882
		32,073	79,243
(i)	Income derived from investment of restricted investment account		
	Finance income and hibah:		
	Financing and advances	25,607	67,361
(ii)	Income derived from investment of unrestricted investment account		
	Finance income and hibah:		
	Financing and advances	6,135	11,341
	Deposits and placements with banks and other financial institutions	331	541
	Total finance income and hibah	6,466	11,882

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIX) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2021 RM'000	2020 RM'000
Finance income and hibah:		
Financing and advances*	111,068	132,713
Impaired financing and advances	413	144
Financial assets at fair value through profit or loss	4,348	7,661
Financial investments at fair value through other comprehensive income	16,392	16,792
Financial investments at amortised cost	6,350	6,944
Deposits and placements with financial institutions	5,840	4,969
Others	120	120
	144,531	169,343
Gain from sale of financial assets at fair value through profit and loss	1,482	1,410
(Loss)/Gain on revaluation of financial assets at fair value through profit and loss	(65)	32
Gain from sale of financial investments at fair value through other comprehensive income	171	967
(Loss)/Gain on foreign exchange	(246)	852
Loss on derivatives	(635)	(570)
Others	23	7
	730	2,698
Fee and commission income:		
Commission	15,124	10,017
Other fee income	16,578	35,029
	31,702	45,046
Total	176,963	217,087

* Included the net loss of RM5.8 million arising from government support measures implemented in response to COVID-19 pandemic.

(XX) IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2021 RM'000	2020 RM'000
Allowances for impairment on financing and advances:		
Allowances for ECL (Note 56(VI)(h))	615,506	236,362
Impaired financing and advances recovered, net	(99,642)	(80,070)
	515,864	156,292

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXI) (WRITEBACK OF)/ALLOWANCES FOR IMPAIRMENT ON FINANCIAL INVESTMENTS

	Group	
	2021 RM'000	2020 RM'000
Financial investments at amortised cost – sukuk	240	(24)
Financial investments at fair value through other comprehensive income – sukuk	(10,838)	(1,386)
	(10,598)	(1,410)

(XXII) IMPAIRMENT ON OTHER FINANCIAL ASSETS

	Group	
	2021 RM'000	2020 RM'000
Cash and short-term funds	49	19

(XXIII) (WRITEBACK OF)/PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group	
	2021 RM'000	2020 RM'000
(Writeback of)/Allowances for ECL on financial commitments and financial guarantee contracts	(2,433)	32

(XXIV) INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Group	
	2021 RM'000	2020 RM'000
Deposits from customers:		
Non-Mudarabah Fund	714,978	893,967
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund*	43,433	89,301
Others	18,863	23,198
	62,296	112,499
Total	777,274	1,006,466

* Income attributable to deposits and placements of banks and other financial institutions included the fair value gain of RM19.0 million arising from the placements by AmBank from the funds received by AmBank under the government financing scheme for COVID-19 relief measures.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXV) INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Group	
	2021 RM'000	2020 RM'000
Unrestricted		
Customers – investment accounts	3,566	8,767
Restricted		
Licensed bank – investment account	23,046	59,675
	26,612	68,442

(XXVI) OPERATING EXPENSES

	Group	
	2021 RM'000	2020 RM'000
Personnel costs	22,941	25,081
Establishment costs	3,301	3,028
Marketing and communication expenses	5,815	4,724
Administration and general expenses	8,940	11,968
Service transfer pricing expense, net	255,937	263,994
	296,934	308,795

(XXVII) TAXATION AND ZAKAT

	Group	
	2021 RM'000	2020 RM'000
Taxation	(2,358)	90,314
Zakat	1,018	3,027
Taxation and zakat	(1,340)	93,341

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVIII) NET INCOME FROM ISLAMIC BANKING

For consolidation with the conventional business, net income from the operations of Islamic banking comprises the followings:

	Group	
	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	1,620,180	1,786,624
Income derived from investment of investment account funds	32,073	79,243
Income derived from Islamic Banking Funds	176,963	217,087
Less: Income attributable to the depositors and others	(777,274)	(1,006,466)
Income attributable to investment account holders	(26,612)	(68,442)
Income attributable to the Group	1,025,330	1,008,046
Less: Finance costs	(98,692)	(99,280)
	926,638	908,766
Consolidation adjustments	3,021	110,789
	929,659	1,019,555

(XXIX) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group	
	2021	2020
Under transitional arrangements, refer Note (1) below		
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.354%	11.404%
Tier 1 Capital Ratio	12.354%	11.404%
Total Capital Ratio	16.814%	16.138%
After deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital Ratio	12.248%	11.404%
Tier 1 Capital Ratio	12.248%	11.404%
Total Capital Ratio	16.708%	16.138%

(1) The capital adequacy ratios of the Islamic banking operations of the Group are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (Basel II) and the Capital Adequacy Framework for Islamic Banks Capital Components ("CAFIB"). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXIX) CAPITAL ADEQUACY RATIO (CONT'D.)

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows: (cont'd.)

(1) Pursuant to the revised BNM policy document, Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, the capital ratios as at 31 March 2021 had been computed applying transitional arrangement on provision for ECL. Under this transitional arrangement, the Group is allowed to add back the amount of loss allowance for non credit impaired exposure (i.e. stage 1 and stage 2 provision) to CET1 Capital. Had this transitional arrangement not been applied, the capital ratios of the Group are as follows:

	Group
	2021
Before deducting proposed dividends:	
Common Equity Tier 1 ("CET1") Capital Ratio	10.914%
Tier 1 Capital Ratio	10.914%
Total Capital Ratio	15.801%
After deducting proposed dividends:	
Common Equity Tier 1 ("CET1") Capital Ratio	10.808%
Tier 1 Capital Ratio	10.808%
Total Capital Ratio	15.694%

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
CET1 Capital		
Ordinary share capital	1,417,107	1,417,107
Retained earnings	2,434,800	2,235,026
Fair value reserve	43,972	56,249
Regulatory reserve	–	71,612
Less: Regulatory adjustments applied on CET1 Capital		
Other intangibles	(718)	(1,034)
Deferred tax assets	(61,567)	–
55% of cumulative gains in fair value reserve	(24,185)	(30,937)
Regulatory reserve	–	(71,612)
Unrealised fair value gains and losses on financial liabilities due to changes in own credit risk	(183)	(148)
Other CET1 regulatory adjustments specified by BNM	502,728	–
CET1/Tier 1 Capital	**4,311,954**	**3,676,263**

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXIX) CAPITAL ADEQUACY RATIO (CONT'D.)

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows: (cont'd.)

	Group	
	2021 RM'000	2020 RM'000
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,150,000
General provisions*	256,523	376,016
Tier 2 Capital	**1,556,523**	**1,526,016**
Total Capital	**5,868,477**	**5,202,279**
The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:		
Credit RWA	33,237,652	30,993,830
Less: Credit RWA absorbed by Profit Sharing Investment Account	(796,005)	(912,582)
Total Credit RWA	32,441,647	30,081,248
Market RWA	782,524	565,524
Operational RWA	1,677,832	1,589,501
Total Risk Weighted Assets	**34,902,003**	**32,236,273**

* Consists of loss allowances stage 1 and stage 2 and regulatory reserve.

56. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXX) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the operations of Islamic banking of the Group makes various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the principal amounts of the commitments and contingencies and notional contracted amounts of derivatives are as follows:

Group	2021 RM'000	2020 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
– up to one year	5,952,699	4,991,693
– over one year	595,233	408,285
Unutilised credit card lines	1,389,410	1,354,936
Forward asset purchases	237,329	159,934
	8,174,671	6,914,848
Contingent Liabilities		
Certain transaction-related contingent items	862,352	751,997
Short-term self liquidating trade-related contingencies	43,131	80,958
Direct credit substitutes	573,954	570,619
	1,479,437	1,403,574
Derivative Financial Instruments		
Profit rate related contracts:		
– Over one year to five years	350,000	350,000
Foreign exchange related contracts:		
– One year or less	3,165,280	2,200,167
– Over one year to five years	1,502,381	2,545,986
Commodity related contracts:		
– One year or less	70,332	73,217
	5,087,993	5,169,370
Total	14,742,101	13,487,792

57. SIGNIFICANT EVENTS

(i) Settlement with Ministry of Finance Malaysia on historical transactions

On 26 February 2021, the Company announced that it had reached an agreement with the MOF Malaysia for a full and final settlement of RM2.83 billion ("the Settlement") in relation to the review by the relevant authorities of historical transactions of the Group with 1Malaysia Development Berhad ("1MDB") and its related entities.

The Settlement of these legacy matters will enable the Group to focus on executing its strategies for its business without any distractions. The Group is committed to continue to deliver value to shareholders, stakeholders and customers.

The Settlement has been fully provided in the Group's financial results for the year ended 31 March 2021 and the Settlement charge is apportioned between AmBank (M) Berhad ("AmBank") and AmInvestment Bank Berhad ("AmInvestment Bank") based on nature of income approach. This resulted in RM2,535 million and RM295 million being apportioned to AmBank and AmInvestment Bank, respectively.

The Settlement resulted in a reduction of the Group's Core Capital Equity Tier 1 (CET1) and Total Capital Ratio by approximately 2.494% and 2.189% respectively as at 31 March 2021.

On 30 March 2021, the Company completed the following equity injections into its fully owned subsidiaries from its existing financial resources:

(1) Equity injection of RM650 million into AmBank via subscription of 66,394,280 new ordinary shares issued by AmBank; and

(2) Equity injection of RM130 million into AmInvestment Bank via the subscription of 114,035,088 new ordinary shares issued by AmInvestment Bank.

(ii) Private Placement of shares under the general mandate from shareholders subsequent to the financial year ended 31 March 2021

To accelerate the restoration of CET1, the Company had on 1 April 2021 announced its intention to undertake a private placement of up to 300,000,000 new ordinary shares in the Company, representing approximately 9.97% of the Company's existing issued ordinary share capital (excluding treasury shares), in accordance with the general mandate obtained pursuant to Sections 75 and 76 of the Companies Act 2016 from the shareholders of the Company at its 29th Annual General Meeting held on 27 August 2020.

The decision to launch a private placement was taken by management and the Board, after having assessed the relevant factors post the 26 February 2021 settlement announcement. This action was intended to accelerate the CET1 capital build post settlement. In our opinion, this course of action is in the best interest of the company and also the interests of other stakeholders, including shareholders.

On 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities. The Private Placement raised additional equity capital of RM825 million which will increase the Company's CET1 by 0.707% to 12.040% on a proforma 31 March 2021 basis.

(iii) Annual goodwill impairment review

The Group considered the impact of the Settlement, together with the effects of COVID-19 pandemic, when conducting the annual impairment review of the carrying value of goodwill.

The outcome of the annual assessment resulted in a RM1,789 million impairment charge in the financial results for the year ended 31 March 2021 relating to impairment of goodwill of the conventional banking and investment banking of RM1,365 million and RM424 million, respectively.

The goodwill impairment charge to the Group's statements of profit and loss is a non-cash item, will have no impact to regulatory capital ratios and does not affect future earnings. The Group has also received confirmation from its credit rating agencies that the Group's credit ratings will remain unchanged following the goodwill impairment. Please refer to Note 21 for further details on goodwill impairment.

The Group remains resilient and highly liquid, with Liquidity Coverage Ratio of 157.50% and Net Stable Funding Ratio for all operating entities above 100%.

57. SIGNIFICANT EVENTS (CONT'D.)

(iv) Additional measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporate affected by COVID-19

The Group continues to ensure the forward-looking information used to incorporate the impact of COVID-19 on the ECL estimates is reasonable and supportable. The moratoriums, payment holiday and repayment assistance granted to borrowers/customers should not automatically result in a stage transfer under MFRS 9 in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk.

For financial year ended 31 March 2021, the Group had incorporated additional forward-looking ("FL") estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic to businesses, payment holiday and repayment assistance granted to customers and global oil price slump in the measurement of ECL for loans and advances in the form of FL ECL overlay which amounted to approximately RM582.2 million (2020: RM167.3 million) charged to profit or loss.

58. SIGNIFICANT SUBSEQUENT EVENT

On 31 May 2021, AmBank increased its issued and paid-up ordinary share capital by RM450 million by way of issuance of 46,680,498 new ordinary shares at an issue price of RM9.64 per ordinary share.

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report.

No	Name of Subsidiary Company	Name of Director
1	AmInvestment Group Berhad	Tan Sri Azman Hashim Seohan Soo (Resigned on 1 September 2020) Ling Fou-Tsong @ Jamie Ling (Appointed on 27 August 2020)
2	AmREIT Holdings Sdn Bhd	Soo Kim Wai Azlan Baqee bin Abdullah Seohan Soo (Resigned on 1 September 2020) Yap Huey Wen (Appointed on 15 September 2020)
3	AmREIT Managers Sdn Bhd	Soo Kim Wai Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Azlan Baqee bin Abdullah Seohan Soo (Resigned on 1 September 2020) Raja Nazirin Shah bin Raja Mohamad Yap Huey Wen (Appointed on 15 September 2020) Tan Sri Mazlan bin Mansor (Appointed on 2 February 2021)
4	AmInvestment Management Sdn Bhd (Under Members' Voluntary Liquidation)	Pushparani a/p A Moothathamby Datin Maznah binti Mahbob Mohd Fauzi bin Mohd Tahir
5	Malaysian Ventures Management Incorporated Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
6	AmPrivate Equity Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
7	AmSecurities Holding Sdn Bhd	Khoo Teck Beng Gan Kim Khoon
8	AMSEC Holdings Sdn Bhd (Under Members' Voluntary Liquidation)	Shaharuddin bin Hassan Tan Giap How, John
9	AMFB Holdings Berhad (Under Members' Voluntary Liquidation)	Tan Sri Azman Hashim Tun Mohammed Hanif bin Omar
10	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir
11	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Duncan Victor Brain (Resigned on 24 August 2020) Dato' Sulaiman bin Mohd Tahir Daniel Francis Coman (Appointed on 24 August 2020)
12	AmGeneral Insurance Berhad	Phoon Soon Keong Duncan Victor Brain (Resigned on 24 August 2020) Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai Daniel Francis Coman (Appointed on 24 August 2020)

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (cont'd.)

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report. (cont'd.)

No	Name of Subsidiary Company	Name of Director
13	AmBank (M) Berhad	Voon Seng Chuan Soo Kim Wai Raymond Fam Chye Soon Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh U Chen Hock Ng Chih Kaye
14	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
15	MBf Information Services Sdn Bhd	Khoo Teck Beng Lim Kien Hock
16	MBf Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding Up)	Lim Kien Hock Khoo Teck Beng
17	MBf Trustees Berhad (Under Members' Voluntary Winding Up)	Lim Hock Aun Khoo Teck Beng
18	AmProperty Holdings Sdn Bhd	Khoo Teck Beng Lim Kien Hock
19	AmCard Services Berhad	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng
20	Teras Oak Pembangunan Sendirian Berhad	Lim Kien Hock Khoo Teck Beng
21	Bougainvillaea Development Sdn Bhd	Khoo Teck Beng Lim Kien Hock
22	Malco Properties Sdn Bhd (Under Members' Voluntary Winding Up)	Lim Kien Hock Khoo Teck Beng
23	AmPremier Capital Berhad (Under Members' Voluntary Winding-up)	Ling Fou-Tsong @ Jamie Ling Yap Huey Wen
24	AmMortgage One Berhad	Oon Kin Seng Dato' Ng Mann Cheong Loo Boon Seng
25	Komuda Credit & Leasing Sdn Bhd (Under Members' Voluntary Winding-up)	Lim Hock Aun Arunasalam a/l Muthusamy
26	AmInvestment Bank Berhad	Jeyaratnam a/l Tamotharam Pillai Tan Bun Poo Ramesh Pillai Chee Li Har Seow Yoo Lin Lum Sing Fai Dato' Kong Sooi Lin

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (cont'd.)

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report. (cont'd.)

No	Name of Subsidiary Company	Name of Director
27	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw
28	AMMB Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Winding Up)	Khoo Teck Beng Goh Wee Peng
29	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
30	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
31	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
32	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
33	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
34	AmFunds Management Berhad	Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Goh Wee Peng Jeyaratnam a/l Tamotharam Pillai
35	AmIslamic Funds Management Sdn Bhd	Zainal Abidin bin Mohd Kassim Tai Terk Lin Sum Leng Kuang Goh Wee Peng Chee Li Har Wong Weng Tuck
36	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng
37	AmBank Islamic Berhad	Dato' Sri Abdul Hamidy bin Abdul Hafiz Hajjah Rosmah binti Ismail Farina binti Farikhullah Khan Azlan Baqee bin Abdullah Dr Mohd Nordin bin Mohd Zin Foong Pik Yee
38	MBF Cards (M'sia) Sdn Bhd	Ling Fou-Tsong @ Jamie Ling Loo Boon Seng

PILLAR 3 DISCLOSURE

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 institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%;
(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank 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 statement of financial position, 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 include allowing banking institutions to drawdown on the capital conservation buffer of 2.5% and to reduce the regulatory reserves held against expected losses to zero. Banking institutions will be given reasonable time to rebuild the buffers after 31 December 2020 and are expected to restore to the minimum regulatory requirement by 30 September 2021.

On 9 December 2020, BNM issued revised policy documents, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). The key addition to the revised policy documents is the transitional arrangements for financial institutions on provisions for expected credit loss ("ECL"). Under these revised policy documents, a financial institution is allowed to add back the loss allowance for non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital.

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of the Group and banking subsidiaries are as follows:

	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%

	31 March 2020			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital Ratio	12.220%	11.165%	40.638%	12.642%
Tier 1 Capital Ratio	12.220%	11.165%	40.638%	12.642%
Total Capital Ratio	16.769%	15.950%	41.076%	15.998%
After deducting proposed dividends:				
CET1 Capital Ratio	12.046%	11.165%	37.161%	12.440%
Tier 1 Capital Ratio	12.046%	11.165%	37.161%	12.440%
Total Capital Ratio	16.595%	15.950%	37.600%	15.796%

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios (cont'd.)

Notes:

(1) The capital adequacy ratios of the Group as at 31 March 2020 are computed in accordance to BNM's policy document on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's policy document on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 3 May 2019.

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 as at 31 March 2021 had been computed applying transitional arrangements on provision for ECL. Under the transitional arrangements, the Group is allowed to add back the amount of loss allowance for non-credit-impaired exposure (i.e. Stage 1 and Stage 2 provisions) to CET1 Capital. Had the transitional arrangements not been applied, the capital ratios of the Group and the banking subsidiaries are as follows:

	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 and is presenting the capital adequacy ratios on FHC basis from 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components) 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.

(3) Should the Private Placement disclosed in section 3.1(a) completed as at current financial year, the capital adequacy ratios of the Group would be as follows:

	Group
Had the transitional arrangements refer to Note (1) above been applied,	
CET1 Capital Ratio	12.040%
Tier 1 Capital Ratio	12.041%
Total Capital Ratio	15.184%
Had the transitional arrangements refer to Note (1) above not been applied,	
CET1 Capital Ratio	11.132%
Tier 1 Capital Ratio	11.132%
Total Capital Ratio	14.841%

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:

	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		36,204	–	36,204	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**		**3,734,467**	**–**	**3,734,467**	**298,758**
4. Operational risk				**6,598,842**	**–**	**6,598,842**	**527,907**
5. Total RWA and capital requirements				**113,549,443**	**76,493**	**113,472,950**	**9,077,835**

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 2020						
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		22,597,897	22,597,897	35,178	–	35,178	2,814
Public Sector Entities ("PSEs")		3,439	3,439	688	–	688	55
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		4,947,493	4,947,493	974,934	–	974,934	77,995
Corporates		62,174,909	59,713,195	48,068,312	–	48,068,312	3,845,465
Regulatory retail		35,778,163	33,621,302	27,046,327	192,639	26,853,688	2,148,295
Residential mortgages		20,747,400	20,740,562	8,051,422	–	8,051,422	644,114
Higher risk assets		613,158	613,148	919,722	–	919,722	73,578
Other assets		2,327,205	2,327,205	2,020,909	–	2,020,909	161,673
Securitisation exposures		10,780	10,780	3,263	–	3,263	261
Equity exposures		44	44	44	–	44	4
Defaulted exposures		1,459,285	1,439,470	1,587,851	–	1,587,851	127,028
Total for on-balance sheet exposures		**150,659,773**	**146,014,535**	**88,708,650**	**192,639**	**88,516,011**	**7,081,282**
Off-balance sheet exposures:							
Over the counter ("OTC") derivatives		2,723,823	2,587,101	1,824,516	–	1,824,516	145,961
Credit derivatives		12	12	6	–	6	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives		18,632,981	10,080,540	8,604,129	–	8,604,129	688,330
Defaulted exposures		35,582	24,657	36,850	–	36,850	2,948
Total for off-balance sheet exposures		**21,392,398**	**12,692,310**	**10,465,501**	**–**	**10,465,501**	**837,239**
Total on and off-balance sheet exposures		**172,052,171**	**158,706,845**	**99,174,151**	**192,639**	**98,981,512**	**7,918,521**
2. Large exposures risk requirement				658,015	–	658,015	52,641
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
– General interest rate risk/rate of return risk	114,426,789	105,969,784		1,981,243	–	1,981,243	158,499
– Specific interest rate risk/rate of return risk	10,687,575	2,364,317		17,694	–	17,694	1,416
Foreign currency risk	577,096	799,771		1,077,580	–	1,077,580	86,206
Equity risk							
– General risk	43,881	4,228		39,587	–	39,587	3,167
– Specific risk	43,881	4,228		34,502	–	34,502	2,760
Option risk	176,759	208,370		26,343	–	26,343	2,107
Total	**125,955,981**	**109,350,698**		**3,176,949**	**–**	**3,176,949**	**254,155**
4. Operational risk				**6,191,409**	**–**	**6,191,409**	**495,313**
5. Total RWA and capital requirements				**109,200,524**	**192,639**	**109,007,885**	**8,720,630**

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 5 April 2021, the Company announced that it had fixed the issue price for the Placement Shares at RM2.75 per Placement Share. On 14 April 2021, the Company announced the completion of the Private Placement following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

(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. Where the balance is a net debit position, the entire balance is deducted from CET1 capital.

(d) Foreign Currency Translation Reserve/(Deficit)

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.

Bank Negara Malaysia ("BNM") had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, the Group is expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021.

(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 1,507,250 ordinary shares of the Company for a total consideration approximately RM4.6 million (including transaction costs) from the open market at an average price of RM3.04 per share.

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 2021 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM million)
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	500
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
Total				**2,995**

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 tenor 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 profit payment date after a minimum period of five (5) years from the date of issuance of each tranche.

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2021 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
30 December 2016	30 December 2021	10 years Non-Callable 5 years	5.50% per annum	10
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	240
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
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 2021			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital Note 1	2,590,465	1,387,107	330,000	5,551,557
Retained earnings	5,591,998	2,341,323	35,695	7,876,333
Fair value reserve	457,552	43,972	1,539	691,067
Foreign exchange translation reserve	88,443	–	–	94,992
Treasury shares	–	–	–	(20,970)
Cash flow hedging deficit	(16,949)	–	–	(16,949)
Other remaining disclosed reserves	–	–	–	67,778
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(303,492)
Other intangible assets	(254,134)	(718)	(1,872)	(257,225)
Deferred tax assets	(95,580)	(62,877)	(5,841)	(157,666)
55% of cumulative gains in fair value reserve	(251,654)	(24,185)	(846)	(380,087)
Cash flow hedging deficit	16,949	–	–	16,949
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,197)	(183)	–	(1,254)
Other CET1 regulatory adjustments specified by BNM	529,759	502,728	–	1,032,479
CET1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,512**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	445
Tier 1 Capital	**8,647,164**	**4,187,167**	**308,866**	**12,859,957**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,995,000	1,300,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,759,714
General provisions*	555,618	256,523	3	812,060
Tier 2 Capital	**3,550,618**	**1,556,523**	**3**	**3,571,774**
Total Capital	**12,197,782**	**5,743,690**	**308,869**	**16,431,731**

The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:

	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 1: On 30 March 2021, AmBank and AmInvestment Bank increased its issued and paid-up ordinary share capital by RM650.0 million and RM130.0 million through the issuance of 66,394,280 and 114,035,088 new ordinary shares respectively. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of AmBank and AmInvestment Bank.

* *Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.*

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 2020			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,380,683	2,148,410	313,545	11,557,241
Fair value reserve	368,847	56,249	999	616,558
Foreign exchange translation reserve	99,587	–	–	108,667
Treasury shares	–	–	–	(26,916)
Regulatory reserve	311,003	71,612	4,912	387,528
Cash flow hedging deficit	(28,155)	–	–	(28,155)
Other remaining disclosed reserves	–	–	–	40,572
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	–	–	–	(2,092,645)
Other intangible assets	(264,492)	(1,034)	(1,116)	(277,233)
Deferred tax assets	(33,439)	–	(7,179)	(23,114)
55% of cumulative gains in fair value reserve	(202,866)	(30,937)	(550)	(339,107)
Cash flow hedging deficit	28,155	–	–	28,155
Regulatory reserve	(311,003)	(71,612)	(4,912)	(387,528)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	–	(49,809)	(1,334,000)
Unrealised fair value gains on financial liabilities due to changes in own credit risk	(1,086)	(148)	–	(1,154)
CET1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,426**
Additional Tier 1 Capital				
Qualifying CET1, Additional Tier 1 Capital instruments held by third parties	–	–	–	458
Tier 1 Capital	**9,279,211**	**3,559,647**	**455,890**	**13,780,884**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	–	–
Qualifying CET1, Additional Tier 1 and Tier 2 Capital instruments held by third parties	–	–	–	2,420,697
General provisions*	858,821	375,600	4,916	1,237,269
Tier 2 Capital	**3,453,821**	**1,525,600**	**4,916**	**3,657,966**
Total Capital	**12,733,032**	**5,085,247**	**460,806**	**17,438,850**

The breakdown of the risk-weighted assets ("RWA") in various categories of risk are as follows:

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	68,705,693	30,960,556	841,125	99,174,151
Less: Credit RWA absorbed by Profit Sharing Investment Account	–	(912,582)	–	(192,639)
Total Credit RWA	68,705,693	30,047,974	841,125	98,981,512
Market RWA	2,351,627	294,650	17,004	3,176,949
Operational RWA	4,217,469	1,539,751	263,707	6,191,409
Large exposure risk RWA for equity holdings	657,669	–	–	658,015
Total RWA	**75,932,458**	**31,882,375**	**1,121,836**	**109,007,885**

* *Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.*

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) Delivering Holistic Customer Value Proposition, Leveraging a Collaborative Culture and Partnerships, (4) Pushing Capital-Light Revenue, (5) Ramping Up the Next Wave of Digital Initiatives, (6) Future-Proofing Our Workforce, (7) Integrating Environmental, Social, and Governance ("ESG") Considerations into Our Business and (8) Exploring Digital Bank.

1. The Group aspires to maintain the financial institution external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The Group aims to maintain a minimum ROCE of 12% and an RWA efficiency ("CRWA/EAD") in the range of 40% to 50%, both based on Foundation Internal Ratings-Based ("FIRB").
3. The Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4. The Group recognises the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
   b. Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective July 2020).
5. The Group aims to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal conditions.
6. The Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
   a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
   b. Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

The Board is ultimately accountable for the management of risks within the Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks including but not limited to market risk, liquidity risk, credit risk, operational risk and IT and Cyber risk.

The Board has also established Management Committees to assist in managing the risks and businesses of the Group. The management committees address all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT project risk.

The Group has an independent risk management function, headed by the Group Chief Risk Officer who:

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technology and emerging risks;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the Risk Management Committee, has access to the Board and the Boards of the respective banking subsidiaries to facilitate suitable escalation of issues of concern across the organisation.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

Impact of COVID-19

Risk management is an integral part of the Group's culture and is embedded within its business, operations and decision making processes. The Group as a sustainable-conscious organisation has implemented various progressive measures through the Crisis Management Programme following the Movement Control Order ("MCO") implemented nationwide arising from the COVID-19 pandemic, namely:

- engaging technology capabilities while keeping cybersecurity risk in-check, given the permissible higher levels of remote access to data and core systems; and
- ensuring key services to customers remain available throughout the period while taking precautions to ensure compliance with the MCO requirements.

The Group welcomed the stimulus plan announced by the Government as relief had been provided to both individuals as well as SMEs and had announced a 24-hour turnaround time for Special Relief Fund applications for SMEs, a scheme largely guaranteed by the Government.

Although some risks within the portfolio has begin emerging post the auto-moratorium period, especially in Retail Banking, the effects of the efforts put in to reach out to customers during the moratorium is seen. The Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

The Group has been continuously engaging our SME customers through multiple channels and have been encouraging them to reach out to the banking subsidiaries if assistance is needed. We have also carried out reviews on our customers, especially those in vulnerable sectors and segments, to ascertain if immediate assistance is required. On-going monitoring of the performance of the larger SMEs is also in place.

Various packages have been set out to mitigate credit risk performance arising from the COVID-19 global pandemic post the completion of the government's auto-moratorium period. These will be offered to performing customers with a minimum banking vintage relationship with the banking subsidiaries and includes:

(1) Reduction of repayment commitments:
  a) Step-up repayment whilst maintaining the tenure; or
  b) Extension of tenure
(2) Extension of moratorium period for customers that are in need

A review of vulnerable segments (e.g. tourism, restaurants and aviation) has also been undertaken.

Group Risk Management as a whole is working towards monitoring, mitigating and addressing the fast-moving and unknown variables of the COVID-19 outbreak to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

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.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

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.

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (cont'd.)

ICAAP Framework

Requirements of the Banks

Principal 1:
- Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels

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

Requirements of the Regulator

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 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
- Material Risks identified
- Material thresholds
- Group Risk Appetite
- Sufficient Capital Adequacy
- Targeted Financial Performance
- Planned Asset Growth and Strategic business objectives
- Policy/Frameworks

Sound Capital Assessment
- Identification, Measurement and Reporting of Material Risks
- Compliance with minimum regulatory standards
- Clear linkage between risks and capital
- Capital Plan

Comprehensive Risk Assessment and Management Processes
- Credit Risk
- Market Risk
- Operational Risk
- Credit Residual Risk
- Rate Risk in the Banking Book
- Credit Concentration Risk
- Goodwill Risk
- Liquidity and Funding Risk
- Contagion Risk
- Business/Strategic Risk
- Reputation Risk
- Shariah Risk

Monitoring and Reporting
- Level and Trend of Material Risks
- Sensitivity Analysis of key assumptions
- Regulatory Reporting to Board and Senior Management

Internal Control and Review
- 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 assesment criteria and acceptance criteria (program lending)
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review • 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.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and internal limits designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

- Concentration threshold/review triggers:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country risk exposure;
- Setting Loan/Financing to Value limits for asset backed loans/financing;
- Non-Retail Credit Policy ("NRCP") which sets out the credit principles and requirements for managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account Management processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing;
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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 Group's Classified Account Management ("CAM") Policy and its corresponding Guidelines for the respective Line of Businesses are established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM's 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 CAM guidelines indicating the unlikeliness to repay.

Where exposures are being restructured, such restructuring is guided by the definition and requirements of R&R provided by BNM Credit Risk Policy.

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 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 5.1: 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 2020 (Restated)														
	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	–	–	–	–	–	–	–	–	22,597,897	–	–	–	–	–	22,597,897
PSEs	–	–	–	–	–	–	–	–	3,439	–	–	–	–	–	3,439
Banks, DFIs and MDBs	–	–	–	–	–	–	–	4,947,493	–	–	–	–	–	–	4,947,493
Corporates Note 1	2,851,836	2,427,085	12,705,293	1,927,075	6,949,387	6,692,837	5,231,140	5,468,219	–	8,718,024	3,605,458	4,030,211	1,563,748	4,596	62,174,909
Regulatory retail Note 1	50,298	11,557	519,694	49,509	365,367	891,475	156,264	9,703	–	97,994	297,819	71,341	33,255,114	2,028	35,778,163
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	20,747,400	–	20,747,400
Higher risk assets	–	–	–	–	–	–	–	–	–	–	–	–	19,573	593,585	613,158
Other assets	–	5	–	–	–	–	–	25,611	–	176	21,786	–	59,592	2,220,035	2,327,205
Securitisation exposures	–	–	–	–	–	–	–	10,780	–	–	–	–	–	–	10,780
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	44	44
Defaulted exposures Note 1	84,701	39,508	194,940	204	56,241	85,126	57,106	–	–	306,313	30,151	6,994	597,559	442	1,459,285
Total for on-balance sheet exposures	**2,986,835**	**2,478,155**	**13,419,927**	**1,976,788**	**7,370,995**	**7,669,438**	**5,444,510**	**10,461,806**	**22,601,336**	**9,122,507**	**3,955,214**	**4,108,546**	**56,242,986**	**2,820,730**	**150,659,773**
Off-balance sheet exposures															
OTC derivatives	15,861	33,134	347,048	207	2,054	10,592	607,555	1,529,537	–	3,903	106,315	3,344	64,273	–	2,723,823
Credit derivatives	–	–	–	–	–	–	–	12	–	–	–	–	–	–	12
Off-balance sheet exposures other than OTC derivatives or Credit derivatives Note 1	263,231	476,129	2,262,448	414,230	3,214,458	1,080,167	580,679	1,433,176	5,446,856	714,515	371,319	141,271	2,233,502	1,000	18,632,981
Defaulted exposures	–	114	3,676	–	7,905	46	79	–	–	9,854	81	–	13,827	–	35,582
Total for off-balance sheet exposures	**279,092**	**509,377**	**2,613,172**	**414,437**	**3,224,417**	**1,090,805**	**1,188,313**	**2,962,725**	**5,446,856**	**728,272**	**477,715**	**144,615**	**2,311,602**	**1,000**	**21,392,398**
Total on and off-balance sheet exposures	**3,265,927**	**2,987,532**	**16,033,099**	**2,391,225**	**10,595,412**	**8,760,243**	**6,632,823**	**13,424,531**	**28,048,192**	**9,850,779**	**4,432,929**	**4,253,161**	**58,554,588**	**2,821,730**	**172,052,171**

Note 1:
The Group continuously strengthen its regulatory reporting framework. The Group has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Group had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Group makes disclosures pertaining to loans, advances and financing and related allowances for expected credit losses by sector. The comparatives in certain tables are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported total on and off-balance sheet exposures.

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 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 loans/financing	180,160	32,663	129,482	6,204	171,423	208,458	129,163	297	50,423	62,107	13,869	3,244,722	–	4,228,971
Allowances for Expected Credit Losses	12,660	36,780	253,062	6,626	89,340	154,803	41,660	30,802	39,480	25,822	5,537	1,578,773	4,775	2,280,120
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

	31 March 2020 (Restated)													
	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*	84,503	53,591	247,556	495	84,278	134,038	80,894	2	314,347	48,506	10,187	794,236	–	1,852,633
Past due loans/financing*	32,808	58,321	628,191	7,866	405,063	697,770	165,191	93,806	413,496	144,357	38,380	11,045,120	–	13,730,369
Allowances for Expected Credit Losses*	16,620	26,708	127,817	6,960	78,687	70,704	38,799	6,694	51,744	28,883	11,392	802,602	–	1,267,610
Charges/(Writeback) for individual allowance	1,455	21,045	72,287	–	41,839	32,238	19,306	–	(7,622)	6,811	5,243	4,823	–	197,425
Write-offs against individual allowance and other movements	–	17,340	66,940	–	7,169	18,960	4,708	–	65,280	1,457	28,515	2,981	–	213,350

* *Refer to Note 1 in Table 5.1*

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 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	4,964,396	2,762,868	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	**154,407,510**	**3,618,338**	**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	**167,671,989**	**4,190,472**	**171,862,461**

	31 March 2020		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-balance sheet exposures			
Sovereigns/Central banks	22,527,541	70,356	22,597,897
PSEs	3,439	–	3,439
Banks, DFIs and MDBs	3,314,292	1,633,201	4,947,493
Corporates	61,751,834	423,075	62,174,909
Regulatory retail	35,778,163	–	35,778,163
Residential mortgages	20,747,400	–	20,747,400
Higher risk assets	612,665	493	613,158
Other assets	2,143,889	183,316	2,327,205
Securitisation exposures	10,780	–	10,780
Equity exposures	44	–	44
Defaulted exposures	1,427,493	31,792	1,459,285
Total for on-balance sheet exposures	**148,317,540**	**2,342,233**	**150,659,773**
Off-balance sheet exposures			
OTC derivatives	2,371,392	352,431	2,723,823
Credit derivatives	–	12	12
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	18,546,218	86,763	18,632,981
Defaulted exposures	35,582	–	35,582
Total for off-balance sheet exposures	**20,953,192**	**439,206**	**21,392,398**
Total on and off-balance sheet exposures	**169,270,732**	**2,781,439**	**172,052,171**

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 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 loans/financing	4,198,010	30,961	4,228,971
Allowances for Expected Credit Losses	2,248,100	32,020	2,280,120

	31 March 2020 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,808,511	44,122	1,852,633
Past due loans/financing*	13,686,247	44,122	13,730,369
Allowances for Expected Credit Losses	1,253,749	13,861	1,267,610

* *Refer to Note 1 in Table 5.1*

PILLAR 3 DISCLOSURE

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 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 5.5: 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 2020 (Restated)								
	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	13,673,642	558,652	843,017	11,274	1,441,408	1,777,997	4,291,907	–	22,597,897
PSEs	–	–	–	–	–	–	3,439	–	3,439
Banks, DFIs and MDBs	3,117,051	96,794	123,665	66,669	158,924	823,582	560,808	–	4,947,493
Corporates*	16,890,613	6,434,929	3,400,173	9,803,130	6,804,388	6,315,194	12,526,482	–	62,174,909
Regulatory retail*	92,074	53,591	98,612	2,469,669	2,639,989	4,278,372	26,145,856	–	35,778,163
Residential mortgages	876	272	1,333	5,552	61,364	165,582	20,512,421	–	20,747,400
Higher risk assets	11	1	–	3	604	860	18,094	593,585	613,158
Other assets	1,068,648	–	–	–	–	–	–	1,258,557	2,327,205
Securitisation exposures	–	–	–	–	–	–	10,780	–	10,780
Equity exposures	–	–	–	–	–	–	–	44	44
Defaulted exposures*	518,920	3,492	10,407	138,735	64,760	87,232	635,739	–	1,459,285
Total for on-balance sheet exposures	**35,361,835**	**7,147,731**	**4,477,207**	**12,495,032**	**11,171,437**	**13,448,819**	**64,705,526**	**1,852,186**	**150,659,773**
Off-balance sheet exposures									
OTC derivatives*	62,282	110,480	291,267	704,073	26,755	636,943	892,023	–	2,723,823
Credit derivatives	–	–	–	–	12	–	–	–	12
Off-balance sheet exposures other than OTC derivatives or Credit derivatives*	8,071,197	991,579	1,223,755	7,134,875	35,439	114,158	1,061,978	–	18,632,981
Defaulted exposures*	2,992	3,434	5,672	12,259	516	638	10,071	–	35,582
Total for off-balance sheet exposures	**8,136,471**	**1,105,493**	**1,520,694**	**7,851,207**	**62,722**	**751,739**	**1,964,072**	**–**	**21,392,398**
Total on and off-balance sheet exposures	**43,498,306**	**8,253,224**	**5,997,901**	**20,346,239**	**11,234,159**	**14,200,558**	**66,669,598**	**1,852,186**	**172,052,171**

** Refer to Note 1 in Table 5.1*

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 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

FINANCIAL YEAR ENDED 31 MARCH 2020 ("FY2020")	(Charge off)/ Recoveries RM'000
Bad debts written off during the financial year	(51,291)
Bad debt recoveries during the financial year	395,072

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 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	Residental 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**

31 March 2020													
	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	Residental 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%	22,714,210	–	303,252	–	6,220,829	63	–	–	274,626	–	–	29,512,980	–
20%	–	3,439	5,227,192	–	7,651,609	1,011,303	–	–	39,587	10,690	–	13,943,820	2,788,764
35%	–	–	–	–	–	–	15,494,457	–	–	–	–	15,494,457	5,423,060
50%	70,356	–	617,357	–	414,027	28,206	5,410,754	–	–	–	–	6,540,700	3,270,351
75%	–	–	–	–	–	24,857,375	–	–	–	–	–	24,857,375	18,643,031
100%	–	–	605	25	55,067,027	9,828,128	67,808	–	2,012,992	–	44	66,976,629	66,976,629
150%	–	–	–	–	667,593	82,020	–	631,181	–	–	–	1,380,794	2,071,191
1250%	–	–	–	–	–	–	–	–	–	90	–	90	1,125
Total	**22,784,566**	**3,439**	**6,148,406**	**25**	**70,021,085**	**35,807,095**	**20,973,019**	**631,181**	**2,327,205**	**10,780**	**44**	**158,706,845**	**99,174,151**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

Group Exposure class	31 March 2021 Ratings of Corporate by Approved ECAIs					
	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**

Group Exposure class	31 March 2020 Ratings of Corporate by Approved ECAIs					
	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)	3,439	–	–	–	–	3,439
Insurance companies, Securities firms and Fund managers	25	–	–	–	–	25
Corporates	74,702,866	5,277,202	1,799,275	–	–	67,626,389
Total	**74,706,330**	**5,277,202**	**1,799,275**	**–**	**–**	**67,629,853**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs (cont'd.)

	31 March 2021					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Group Exposure class	Moody's Fitch RM'000	Aaa to Aa3 AAA to AA- RM'000	A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- RM'000	Unrated Unrated 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**	**–**	**–**

	31 March 2020					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
Group Exposure class	Moody's Fitch RM'000	Aaa to Aa3 AAA to AA- RM'000	A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- RM'000	Unrated Unrated RM'000
On and off-balance sheet exposures						
Sovereigns and Central banks	28,044,753	–	27,974,397	70,356	–	–
Total	**28,044,753**	**–**	**27,974,397**	**70,356**	**–**	**–**

	31 March 2021					
	Ratings of Banking Institutions 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	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB1 to B3 BB+ to B- RM'000	Unrated Unrated Unrated Unrated 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**

	31 March 2020					
	Ratings of Banking Institutions 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	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB1 to B3 BB+ to B- RM'000	Unrated Unrated Unrated Unrated RM'000
On and off-balance sheet exposures						
Banks, DFIs and MDBs	7,280,558	3,317,292	623,173	322,084	464	3,017,545
Total	**7,280,558**	**3,317,292**	**623,173**	**322,084**	**464**	**3,017,545**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.3: Securitisation according to Ratings by ECAIs

	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**

	31 March 2020			
	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	10,780	10,690	–	90
Total	**10,780**	**10,690**	**–**	**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 is not listed in the said policy or does not conform to the requirements outlined in that policy is not eligible for capital relief for regulatory capital purposes.

Processes for collateral management

The concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. Where a counterparty's corporate guarantor is rated better than the counterparty, the credit risk rating of the counterparty shall be substituted with that of the corporate guarantor subject to fulfilling certain stipulated conditions.

Guarantee by a counterparty with lower rating than the borrower/customer is not recognised for credit risk mitigation purposes.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the tenure of the loan/financing, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in 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:

Exposure Class	31 March 2021 Exposures before CRM RM'000	31 March 2021 Exposures covered by Guarantees RM'000	31 March 2021 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**

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 2020 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	22,597,897	–	–
PSEs	3,439	–	–
Banks, DFIs And MDBs	4,947,493	–	–
Corporates	62,174,909	1,071,504	4,734,940
Regulatory retail	35,778,163	984,478	2,800,686
Residential mortgages	20,747,400	–	36,132
Higher risk assets	613,158	–	10
Other assets	2,327,205	–	–
Securitisation exposures	10,780	–	–
Equity exposures	44	–	–
Defaulted exposures	1,459,285	37,823	125,234
Total for on-balance sheet exposures	**150,659,773**	**2,093,805**	**7,697,002**
Off-balance sheet exposures			
OTC derivatives	2,723,823	–	381,803
Credit derivatives	12	–	–
Off-balance sheet exposures other than OTC derivatives or Credit derivatives	18,632,981	503,493	9,680,872
Defaulted exposures	35,582	–	14,040
Total for off-balance sheet exposures	**21,392,398**	**503,493**	**10,076,715**
Total on and off-balance sheet exposures	**172,052,171**	**2,597,298**	**17,773,717**

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.

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 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 8.1: 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 2020			
	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	2,553,489		2,371,427	1,989,389
Transaction related contingent Items	4,286,704		2,234,294	1,748,743
Short-term Self-liquidating Trade-related contingencies	723,120		144,624	129,913
Forward Asset Purchases	1,989,103		69,188	67,538
Obligations under an on-going underwriting agreements	20,000		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,501,681		6,533,889	1,694
Foreign exchange related contracts				
One year or less	16,307,370	187,312	269,176	196,830
Over one year to five years	4,679,672	198,920	482,340	423,809
Over five years	472,438	16,062	59,887	59,887
Interest/Profit rate related contracts				
One year or less	752,863	1,517	5,031	2,396
Over one year to five years	2,591,736	35,575	76,149	24,594
Over five years	1,658,110	115,401	300,409	252,293
Equity and commodity related contracts				
One year or less	773,980	44,655	81,139	48,810
Other Commodity Contracts				
One year or less	863,875	161,629	231,227	213,780
Over one year to five years	205,257	24,838	27,688	20,020
Credit Derivative Contracts				
Over one year to five years	356,069	1,954	12	6
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	71,183,679	1,289,418	1,190,777	582,098
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,873,188		2,782,713	1,831,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,056,411		3,506,910	2,107,365
Unutilised credit card lines	5,127,590		1,025,518	764,476
Total	**139,976,335**	**2,077,281**	**21,392,398**	**10,465,501**

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 2021		31 March 2020	
		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	206,069	150,000

* *Out of the total notional exposure for protection bought as at 31 March 2021, RM150,000,000 (31 March 2020: RM150,000,000) has no counterparty credit risk exposure because it is 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.

9.0 SECURITISATION (CONT'D.)

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

Underlying Asset	31 March 2021			
	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**	**–**

Underlying Asset	31 March 2020			
	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	998,970	–	990,128	–
Total Traditional Securitisation	**998,970**	**–**	**990,128**	**–**

The Group did not have any exposures under synthetic securitisation as at 31 March 2021 and 31 March 2020.

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 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 Appplicable 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**

Group Securitisation Exposures by Exposure Type	31 March 2020						
	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 Appplicable 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	10,690	10,690	–	10,690	–	–	2,138
Originated by the Group							
On-Balance Sheet Exposures	90	90	–	–	–	90	1,125
Total Traditional Securitisation	**10,780**	**10,780**	**–**	**10,690**	**–**	**90**	**3,263**

There is no securitisation exposure under trading book as at 31 March 2021 and 31 March 2020.

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)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Control Testing
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk (Please refer to section 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 Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

- Fraud (internal and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness and capital allocation, ORM training and reporting of operational risk triggers, breaches, Key Control Testing ("KCT") exceptions, operational loss incidents to GMRC, RMC and the Board.

- GIAD acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

PILLAR 3 DISCLOSURE

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 Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- The KCT is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.
- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.
- Scenario analysis is a forward-looking assessment tool to assess the severity impact on the Group's profitability and capital adequacy should the plausible and worse case scenarios materialise.

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. Driven by the constantly evolving nature and sophistication of cyber threats and attack vectors, this 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 has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

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 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.

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 of Directors ("BOD") and Senior Management lead by example. The Group has zero tolerance for any form of bribery or corruption.

The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

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 limits • Periodical review and reporting	

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, Loss Limits, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss Limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls (e.g. Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

IBMR independently monitors risk exposures against limits on a daily basis. Portfolio market risk positions are independently monitored and reported by IBMR to GMRC, RMC and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

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 limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of 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 daily basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

The Group measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and loans/financing.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

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 2021	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	132,893	(132,893)
Impact on Equity	(863,697)	947,864

	31 March 2020	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	57,716	(57,716)
Impact on Equity	(815,839)	897,628

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 2021 RM'000	31 March 2020 RM'000
Non-traded equity investments		
Value of quoted (publicly traded) equities	1,173	1,122
Value of unquoted (privately held) equities	686,830	593,585
Total	**688,003**	**594,707**
Net realised and unrealised gains		
Cumulative realised gains from sales and liquidations	–	–
Total unrealised gains	93,578	33,095
Total	**93,578**	**33,095**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	1,173	1,122
Equity investments subject to a 150% risk weight	1,030,245	890,378
Total	**1,031,418**	**891,500**
Total minimum capital requirement (8%)	**82,513**	**71,320**

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
Monitoring/Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned to the LCR policy and NSFR policy issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

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.

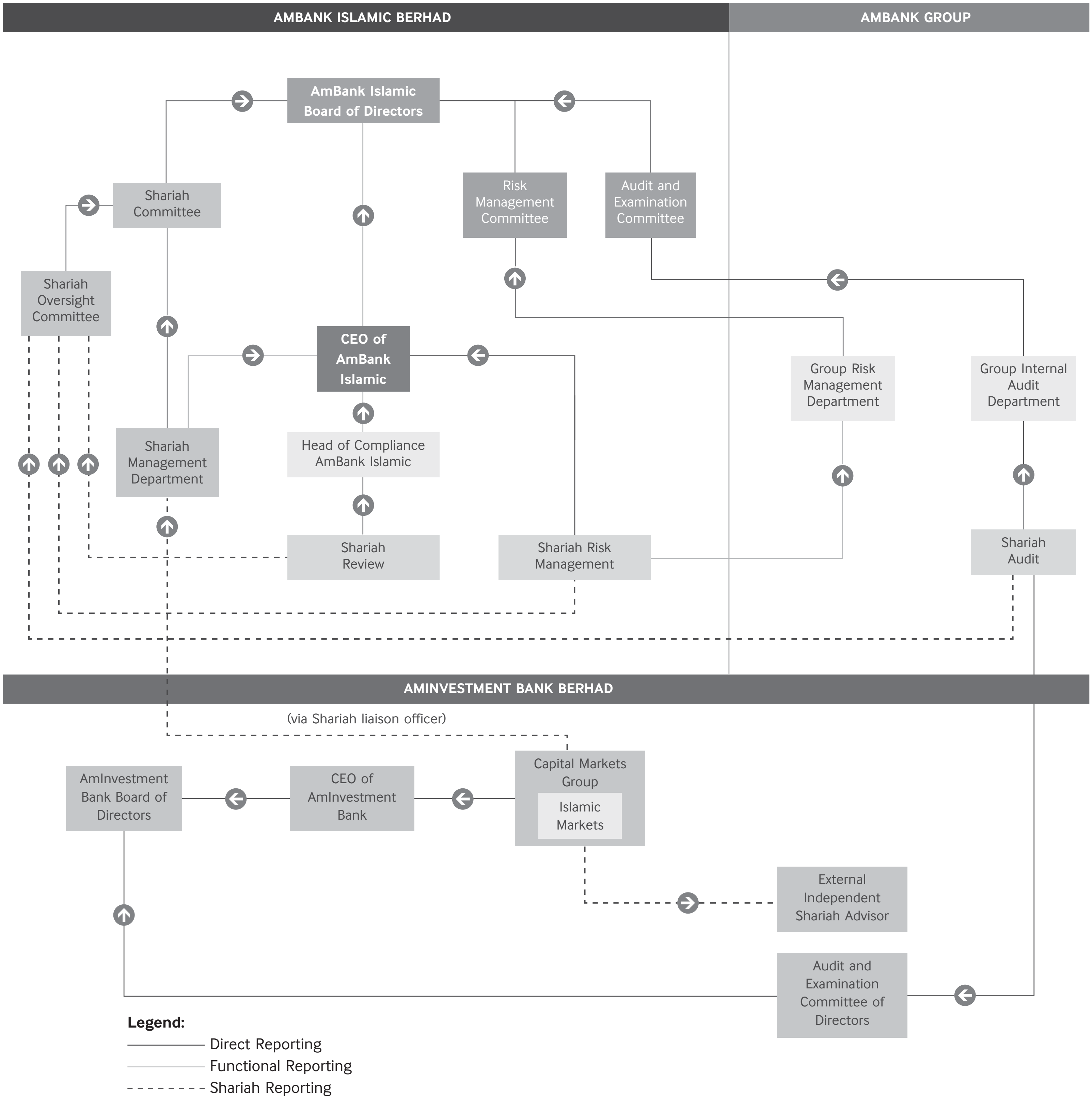
The Group has put in place a Contingency Funding Plan which is established by Capital and Balance Sheet Management ("CBSM") to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event 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/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.

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 its requirements.

Apart from Shariah Management, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the performance assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee, Risk Management Committee and the Shariah Committee.

Audit and Examination Committee ("AEC")

AEC is a Board committee responsible for assisting the Board in ensuring AmBank Islamic's operations are Shariah compliant through the independent assurance from the Shariah Audit function performed by Group Internal Audit Department. The reports from the Shariah Review are also presented to the AEC for information.

Risk Management Committee ("RMC")

RMC is a Board committee responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah risk management.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Senior Management on Shariah matters as well as endorsing and validating products and services, Shariah policies and the relevant documentation in relation to AmBank Islamic's business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function via the Shariah Control Functions (i.e. Shariah Review, Shariah Risk Management, and Shariah Audit). The Shariah Oversight Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Senior Management

The Chief Executive Officer ("CEO") and senior officers of AmBank Islamic and the Group are responsible to make reference to the Shariah Committee and/or Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Senior Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Management

Shariah Management Department is accountable to the Shariah Committee and is responsible for providing operational support for effective functioning of the Shariah Committee including day-to-day Shariah advisory, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic (cont'd.)

Shariah Risk Management

Shariah Risk Management ("SRM") section is accountable to the Group Risk Management Department and CEO with Shariah reporting to the Shariah Oversight Committee. SRM is a function that systematically identifies, measures, monitors and reports Shariah non-compliance risks in the business, operations, affairs and activities of AmBank Islamic.

The management of Shariah risk is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st – The Business Units and Functional Lines; 2nd – Shariah Risk Management and Shariah Review; 3rd – Shariah Audit.

Shariah Review

Shariah Review section is accountable to AmBank Islamic's Head of Compliance with Shariah reporting to the Shariah Oversight Committee. Shariah review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of AmBank Islamic with Shariah requirements.

Shariah Audit

Shariah Audit section is accountable to the AEC with Shariah reporting to Shariah Oversight Committee. A designated team within the Group Internal Audit Department, which is responsible to conduct independent assessment on the quality and effectiveness of AmBank Islamic's internal control, risk management systems, governance processes as well as the overall compliance of AmBank Islamic's operations, business, affairs and activities with Shariah. Shariah audit's scope will include but not limited to activities undertaken by departments and functions that relate to Islamic products and services.

The Group adopts a leverage model whereby, AmInvestment Bank through its Islamic Window i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

AmInvestment Bank

AmInvestment Bank's Capital Markets Group covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. For such Islamic transactions, AmInvestment Bank complies with guidelines issued by Securities Commission Malaysia ("SC").

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance. The Board performs its oversight through various committees such as the Audit and Examination Committee of Directors ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

AEC is a Board committee and is responsible for assisting the Board in ensuring AmInvestment Bank's Islamic capital markets operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department.

RMC is a Board committee and is responsible for assisting the Board in ensuring risk management and control processes are in place and functioning, including Shariah Risk Management.

Under Shariah Risk Management, endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st – Capital Markets Group (via Islamic Markets unit); 2nd – Shariah Risk Management, AmInvestmenrt Bank's Compliance and the appointed Shariah Adviser (Shariah Committee and/or independent Shariah adviser), where applicable; 3rd – Group Internal Audit Department.

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market product and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmInvestment Bank (cont'd.)

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision/pronouncement/resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM shall be in line with the Shariah Resolutions (fatwa) issued by the SAC of BNM and SC, at all times.

Shariah Liaison Officer, IM

As per the leveraging model, AmInvestment Bank via IM leverages on AmBank Islamic's Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Management Department, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant lines of business ("LOBs") under the Group with regards to Islamic capital market products and services.

Shariah Non-Compliant Incidents and Income

AmBank Islamic

For the financial year ended 31 March 2021, there were two (2) Shariah non-compliant ("SNC") incidents relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities. SNC income estimated at approximately RM353,000 will be purified, the method of which will be in accordance with the method approved by the Shariah Oversight Committee.

Prompted by the similar SNC incident which was discovered in the financial year ended 31 March 2020, the SNC incident relating to the extension of Cash Line-i facilities without aqad was part of the AmBank Islamic's conscious effort to proactively identify any other potential SNC incidents involving Cash Line-i facilities. Given that this SNC incident is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2020.

In relation to the use of insurance coverage for Industrial Hire Purchase-i facilities, the Industrial Hire Purchase-i contracts remain valid and the income can be fully recognised by AmBank Islamic.

AmBank Islamic has implemented measures such as improving controls and process, as well as conducting training on the improved processes to heighten staff awareness in order to mitigate similar incidents from recurring in the future. For the financial year ended 31 March 2020, there were four (4) SNC incidents involving SNC income of approximately RM50,000.

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.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA") (CONT'D.)

Investment Account ("IA") (cont'd.)

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 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.

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.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA") (CONT'D.)

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 2021, balance of MTIA stood at RM76.5 million (31 March 2020: RM192.6 million). The performance of MTIA is as described in the table below:

As at 31 March 2021	%
Return on Assets ("ROA")	4.08
Average Net Distributable Income Attributable to IAH	4.71
Average Profit Sharing Ratio to IAH	57.98

As at 31 March 2020	%
Return on Assets ("ROA")	4.59
Average Net Distributable Income Attributable to IAH	3.55
Average Profit Sharing Ratio to IAH	77.22

ANALYSIS OF SHAREHOLDINGS

As at 30 June 2021

Total Number of Issued Shares	: 3,314,184,844 Ordinary Shares (Include Treasury Shares)
Total Number of Shares Retained as Treasury Shares	: 8,193,950
Class of Share	: Ordinary Share
Voting Rights	: 1 vote per ordinary share on a poll
Number of Shareholders	: 35,794

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares*	% of Shareholdings*
Less than 100	2,078	5.81	50,465	0.00
100 – 1,000	9,215	25.74	6,531,468	0.20
1,001 – 10,000	18,442	51.52	77,170,548	2.33
10,001 – 100,000	5,101	14.25	149,334,090	4.52
100,001 to less than 5% of the issued shares	956	2.67	2,052,577,103	62.09
5% and above of issued shares	2	0.01	1,020,327,220	30.86
Total	**35,794**	**100.00**	**3,305,990,894**	**100.00**

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
Substantial Shareholder	Direct Interest	%*	Indirect Interest	%*
Tan Sri Azman Hashim	–	–	391,069,003[1]	11.83
ANZ Funds Pty Limited	716,841,483	21.68	–	–
Australia and New Zealand Banking Group Limited	–	–	716,841,483[2]	21.68
Amcorp Group Berhad	391,069,003	11.83	–	–
Clear Goal Sdn Bhd	–	–	391,069,003[1]	11.83
Employees Provident Funds Board	322,566,937	9.76	–	–

Notes:

1 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through Amcorp Group Berhad.*

2 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through ANZ Funds Pty Limited.*

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY AND ITS SUBSIDIARIES BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	No. of Shares			
Names	Direct Interest	%*	Indirect Interest	%*
Directors				
Tan Sri Azman Hashim	–	–	391,069,003[1]	11.83
Graham Kennedy Hodges	–	–	–	–
Robert William Goudswaard	–	–	–	–
Soo Kim Wai	–	–	–	–
Voon Seng Chuan	–	–	–	–
Seow Yoo Lin	–	–	–	–
Farina binti Farikhullah Khan	–	–	–	–
Hong Kean Yong	–	–	–	–
Dato' Kong Sooi Lin	–	–	–	–
Group Chief Executive Officer[2]				
Dato' Sulaiman bin Mohd Tahir	317,600	0.01	–	–

Notes:

1 *Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 held through Amcorp Group Berhad.*

Tan Sri Azman Hashim, by virtue of his interest in the shares of AMMB Holdings Berhad (AMMB), is also deemed to have an interest in the shares of the subsidiaries of AMMB to the extent that AMMB has an interest.

2 *The Group Chief Executive Officer is not a director of the Company.*

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

LIST OF 30 LARGEST SHAREHOLDERS

30 LARGEST SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Names	No. of Shares	%*
1.	ANZ Funds Pty Limited	716,841,483	21.68
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	303,485,737	9.18
3.	Amcorp Group Berhad	129,767,302	3.93
4.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (EDG)	127,620,700	3.86
5.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (AGB CBC2)	118,600,000	3.59
6.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	116,690,016	3.53
7.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	85,174,200	2.58
8.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	79,656,000	2.41
9.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Merit Alpha Sdn. Bhd.	70,000,000	2.12
10.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	47,774,600	1.45
11.	Kumpulan Wang Persaraan (Diperbadankan)	46,830,300	1.42
12.	Amanahraya Trustees Berhad Amanah Saham Malaysia	43,601,200	1.32
13.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for State Street Bank & Trust Company (WEST CLT OD67)	41,404,012	1.25
14.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	38,283,400	1.16
15.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Ma Yu	36,700,000	1.11
16.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	27,598,345	0.83
17.	Maybank Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Areca Dynamic Growth Fund 6.0 (429002)	27,500,000	0.83
18.	Pertubuhan Keselamatan Sosial	26,393,330	0.80
19.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	26,064,000	0.79
20.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	24,620,620	0.74

No.	Names	No. of Shares	%*
21.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	24,484,400	0.74
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	23,559,000	0.71
23.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd.	23,469,307	0.71
24.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Multi-Asset Fund	22,000,000	0.67
25.	AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Tan Boon Seng (7928-1102)	17,545,500	0.53
26.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	14,631,200	0.44
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (FI 17)	13,326,100	0.40
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)	12,458,000	0.38
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Eastspring Investments-Asian Local Bond Fund	12,414,900	0.38
30.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	12,381,562	0.37

Note:

* *Exclude 8,193,950 ordinary shares retained as treasury shares.*

LIST OF LANDED PROPERTIES

As at 31 March 2021

Properties owned by the Group are as follows:

Location	Description	Age of Property	Tenure	Net Book Value (RM'000)	Built-Up Area (Sq. Ft.)	Date of Acquisition
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya	One unit of thirteen-storey office building for operations	30 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	12,234.67	76,120	13 Oct 2000
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit of twelve-storey office building for operations and branch premises	35 years	Freehold	11,879.49	55,700	4 Nov 1991
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	22 years	Leasehold Term: 855 years Expiry: 27 Jul 2792	8,102.65	51,906	31 Dec 1994
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shoplots for rental purposes	22 years	Freehold	2,612.49	13,504	23 Apr 1998
85, 87, 89, 107, 109 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shoplots for rental purposes	31 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	1,804.26	30,528	9 Mar 1992
35 & 36 – Phase 1 Prai Business Point 322 Prai Perdana 12000 Seberang Prai	Two units of vacant three-storey shopoffices	21 years	Freehold	1,059.72	10,307	28 Nov 1998
22 & 23 Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoplots for branch premises	36 years	Freehold	851.57	22,000	15 Mar 1990
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double-storey shoplots for branch premises	29 years	Freehold	389.57	7,200	28 Nov 1996
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan	Two units of two-storey commercial complexes for branch premises	35 years	Leasehold Term: 40 years Expiry: May 2017	303.83	8,000	25 Nov 1995
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoplots for branch premises	81 years	Freehold	292.83	5,832	12 Jun 1985

AMMB Holdings Berhad
199101012723 (223035-V) (Incorporated in Malaysia)

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