AmBank Islamic Berhad

(Registration No. 199401009897 (295576-U))
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2021

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of AmBank Islamic Berhad ("the Bank") for the financial year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Bank is a licensed Islamic banking institution providing Islamic retail and non-retail banking products and services in accordance with Shariah principles. There has been no significant change in the nature of the activities of the Bank during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	121,301

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Bank during 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 coronavirus ("COVID-19") pandemic as disclosed in Notes 19, 27, 28, 30 and 55.

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 Bank for the current financial year in which this report is made.

DIVIDENDS

The Directors propose the payment of a final single-tier dividend of 7.5 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM37.1 million in respect of the current financial year ended 31 March 2021. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2022.

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 COVID-19 vaccine rollout. The banking system loans/financing are projected to expand by around 4% to 5% in 2021, supported by improving business activities and consumer spending.

However, with prevailing uncertainties surrounding the COVID-19 pandemic, the Bank continues to build up provisions for its financing in vulnerable sectors via application of management overlays over and above the Expected Credit Loss ("ECL") model provisions. The Bank 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. The Bank continues to provide financial assistance to customers in need and simultaneously start to graduate the financially abled customers into normal repayment stream.

SIGNIFICANT EVENT

The significant event during the financial year is disclosed in Note 55 to the financial statements.

BUSINESS PLAN AND STRATEGY

Performance review for financial year ended 31 March 2021

The Bank recorded total income and profit before net provisions of RM916.3 million and RM620.7 million respectively, which were correspondingly 3.7% and 7.7% higher than the previous financial year. The Bank’s profit after zakat and taxation of RM121.3 million was lower by 63.7% compared to the previous financial year due to the additional allowances for anticipatory forward looking ECL arising from the COVID-19 pandemic and uncertainty in global oil prices.

The Bank recorded financing and deposit growth of 12.2% and 20.4% respectively. This was attributable to the Bank’s strategy in growing the more profitable products such as financing for Amanah Saham Bumiputera ("ASB") investments, wealth management, transaction banking and better penetration into the small and medium enterprises ("SME") segment while managing the auto financing portfolio. The improvement in deposits was driven by the growth of current and savings account ("CASA") of 20.2%, resulting in a CASA ratio of 30.5%.

Business Highlights

The Bank is the primary Islamic banking arm of AMMB Holdings Berhad ("AMMB") Group and offers a comprehensive range of Shariah-compliant retail and non-retail banking products and services, including investment, treasury and trade solutions. Our primary role as a credit intermediary is anchored by our value-based intermediation ("VBI") aspiration. This is an integral strategy to catalyse our journey towards becoming a purpose-based organisation, whilst being mindful of financial returns to our shareholder.

The Bank's strategic direction is in tandem with that of AMMB Group. The Bank continues to operate in its existing market segments, and adds further value to the AMMB Group by penetrating into niche market segments which naturally gravitate towards Islamic banking. The Bank is now poised to further improve its income and profitability through new growth strategies. We aim to deliver value to all our stakeholders through sustainable returns whilst maintaining optimal capital and funding profiles.

BUSINESS PLAN AND STRATEGY (CONT'D.)

Small and Medium Enterprises ("SMEs")

The Bank continues to perform and be recognised amongst the best in the industry when it comes to supporting SMEs where the Bank has been recognised as the “Best Islamic SME Bank Malaysia 2020” by Alpha Southeast Asia and Global Banking and Finance Review. The awards received will spur the Bank to continue to serve the SMEs which are the backbone of Malaysia’s economy.

Mass Segment

Amongst the Bank's key products which are targeted to the mass segment are:

- ASB Financing-i: The portfolio grew by 60% during the financial year;
- Auto Financing-i ("AF-i"): Due to refinements in our strategies and processes, our AF-i disbursements have increased compared to the previous financial year, and hence the Auto Financing portfolio recorded a growth of 7%;
- Mortgage-i: The growth momentum continued with growth of 24%; and
- AmWafeeq-i: This is an Islamic savings account and promoted through the AmRewards campaign with prizes totaling RM677,000.

Affluent Segment

The Bank provided wealth management services to our affluent customers by distributing Islamic unit trusts and other Shariah-compliant investment products.

In the financial year, the Bank entered into a collaboration with Amanah Raya Berhad to assist customers with their estate planning needs via the will writing service.

BUSINESS PLAN AND STRATEGY (CONT'D.)

Awards and Recognition

1. The Asset Triple A Islamic Finance Awards
   - Best Bank Capital Sukuk Malaysia 2020 (Joint Shariah Adviser)
   - Best NBFI Sukuk Malaysia 2020 (Shariah Adviser)

2. Alpha Southeast Asia
   - Best Islamic Finance SME Bank in Malaysia 2020
   - Best FIG Islamic Finance Deal of the year 2020 (Joint Shariah Adviser)

3. Global Islamic Finance Review
   - Best Islamic Banking CEO Malaysia 2019, 2020 and 2021
   - Best Islamic Corporate Bank Malaysia 2020 & 2021
   - Best Islamic SME Bank Malaysia 2020 & 2021

4. International Business Magazine Awards
   - Best Islamic Bank of Malaysia 2020
   - Banking CEO of the Year Malaysia 2020

BUSINESS PLAN AND STRATEGY (CONT'D.)

VBI & Sustainability Agenda

1. AMMB Group Sustainability Agenda:
    - AMMB Group has formalised its Sustainability Framework in May 2020, encompassing 10 sustainability matters (“SMs”). The most critical SM, which is Responsible Lending and Source of Funds, would be driven from the lens of VBI.
    - The Group Sustainability Council (“GSC”) has been the platform for the Senior Management to deliberate, monitor and drive the Group’s Sustainability Agenda, including tracking the sustainability-related KPIs of the Sponsors of the SMs.
    - Mandatory Islamic Banking 101 online training to AMMB Group employees: How sustanability / VBI fits into AMMB Group’s Sustainability Agenda.

2. AMMB Group Responsible Financing Strategic Plan:
    - The AMMB Group Responsible Financing Strategic Plan was crafted by the Bank.
    - This Strategic Plan outlines the implementation roadmap for AMMB Group towards becoming a Responsible Lender/Financier.
    - The AMMB Group has recently introduced environmental and social risk grade ("ESRG") to be incorporated in credit applications and will continuously enhance the capabilities in this area.

3. Industry Contributions
    - The Bank’s CEO was the Chairman for the VBI Sectoral Guide Working Group Cohort 1, to develop sectoral guidelines for palm oil, renewable energy and energy efficiency.
    - A number of the Bank personnel were also members of the VBI Sectoral Guide Working Group to develop sectoral guidelines for Palm oil under Cohort 1 and to develop sectoral guidelines for Construction and Infrastructure under Cohort 2.
    - The Bank’s CEO participated in Islamic Finance News (IFN) Asia OnAir Forum to share insights on the role of Islamic financial institutions during the COVID-19 pandemic.

ISSUANCE OF SHARES AND DEBENTURES

Issuance of sukuk

On 8 December 2020, the Bank 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).

Repayment of sukuk

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

There were no issuance of shares or debentures by the Bank during the financial year other than those disclosed above and in Note 23 to the financial statements.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Bank through the holding company, AMMB, has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM200.0 million against any liability incurred by the Directors and Officers in the discharge of their duties while holding office within the AMMB Group including the Bank. The Directors and Officers shall not be indemnified by such insurance for any negligence, fraud, breach of law or breach of trust proven against them. The gross amount of insurance premium paid by AMMB for the Directors and Officers of AMMB and its subsidiaries for the current financial year was RM360,000 (2020: RM324,750).

AMMB EXECUTIVES' SHARE SCHEME

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

The awards under the ESS are up to ten percent (10%) of the total number of issued shares of AMMB (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 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.

BAD AND DOUBTFUL FINANCING

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

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

CURRENT ASSETS

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

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank 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 Bank 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 Bank which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Bank which has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Bank 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 Bank to meet its 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 Bank that would render any amount stated in the financial statements misleading.

DIRECTORS

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

YBhg Dato' Sri Abdul Hamidy Abdul Hafiz
Hajjah Rosmah Ismail
Puan Farina Farikhullah Khan
Encik Azlan Baqee Abdullah
Dr Mohd Nordin Mohd Zain
Ms Foong Pik Yee

DIRECTORS' INTERESTS

Under the Bank's Constitution, the Directors are not required to hold shares in the Bank.

None of the Directors in office at the end of the financial year had any interest in shares in the Bank and related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 38 to the financial statements and from related corporations) by reason of a contract made by the Bank 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 related party transactions as shown in Note 44 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is 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 Bank or any other body corporate.

CORPORATE GOVERNANCE

(a) DIRECTORS' PROFILES

YBHG DATO' SRI ABDUL HAMIDY ABDUL HAFIZ
Chairman/Independent Non-Executive Director

Dato' Sri Abdul Hamidy bin Abdul Hafiz ("Dato' Sri Hamidy"), a Malaysian, aged 64, was appointed as Chairman/Independent Non-Executive Director ("INED") of AmBank Islamic on 1 April 2017. He is the Chairman of Board Credit Committee ("BCC") of AmBank Islamic. He is also an INED and the Chairman of BCC of AmBank (M) Berhad.

Dato' Sri Hamidy holds a Bachelor's Degree and a Master in Business Administration from Ohio University, USA.

Dato' Sri Hamidy is an experienced banker with over 30 years of extensive banking experience in the fields of Commercial and Finance Banking, Investment Banking and Islamic Banking. Dato' Sri Hamidy was previously the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad and prior to that, Dato' Sri Hamidy was the Chairman of Danajamin Nasional Berhad. He was also previously the Managing Director/Chief Executive Officer of Affin Bank Berhad, Chairman of the Association of Banks Malaysia and the Managing Director of Pengurusan Danaharta Nasional Berhad. Dato' Sri Hamidy also served as the Chairman of Corporate Debt Restructuring Committee ("CDRC") from 2009 until the end of February 2020.

Dato' Sri Hamidy currently sits on the Board of Sime Darby Berhad and serves as a member of the Appeals Committee of Bursa Malaysia.

Dato' Sri Hamidy has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

HAJJAH ROSMAH ISMAIL
Independent Non-Executive Director

Hajjah Rosmah Ismail ("Hjh Rosmah"), a Malaysian, aged 57, was appointed as an Independent Non-Executive Director of AmBank Islamic on 1 April 2017. She is a Member of the Board Credit Committee of AmBank Islamic.

Hjh Rosmah graduated with a Master of Laws (LLM) in Banking Law specialising in Banking, Securities Law and Islamic Finance from the International Islamic University of Malaysia with Top Honours as the Best Postgraduate Student and the Bachelor of Science (Economics) Honours degree in International Relations from the London School of Economics & Political Science (University of London) in United Kingdom. She is also a holder of the Takaful Licence Certificate (Distinction) from the Malaysian Institute of Insurance, Certificate in Fintech from SAID Business School, Oxford University, United Kingdom and a Chartered Fellow Islamic Finance of Chartered Institute of Islamic Finance Professionals.

Hjh Rosmah is an international banker with a total of more than 25 years at international banks in Malaysia and overseas, covering Conventional and Islamic Finance across both corporate and consumer client segments across all banking products, and 3 years in financial consultancy including Price Waterhouse Associates. During her career, she has been commended by top international Shariah Advisors for having authored among the best Shariah Compliance, Risk and Business Operational Policy & Procedures Manual for Islamic Banking and Finance. She has set up Islamic Banking entities in the Middle East and Malaysia, and the businesses under her leadership had also won corporate awards during her tenure. Hjh Rosmah is also on the Board of Protakaful Unity Ltd, UK.

Hjh Rosmah has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

PUAN FARINA FARIKHULLAH KHAN
Independent Non-Executive Director

Puan Farina Farikhullah Khan ("Pn Farina"), a Malaysian, aged 49, was appointed as an Independent Non-Executive Director ("INED") of AmBank Islamic on 14 April 2017. She is the Chairman of the Risk Management Committee and a Member of the Audit and Examination Committee of AmBank Islamic. She is also an INED, the Chairman of Group Nomination & Remuneration Committee, and a Member of the Audit and Examination Committee of AMMB Holdings Berhad.

Pn Farina graduated from the University of New South Wales in Australia with a Bachelor of Commerce in Accounting in 1993. She is a Fellow of The Institute of Chartered Accountants in Australia and New Zealand. She has also completed the Advanced Management Program at Harvard Business School in the USA.

Pn Farina has over 25 years working experience, predominantly in oil and gas industry. She started out her career in 1994 with Coopers & Lybrand, Australia.

In 1997, Pn Farina 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.

Pn Farina subsequently assumed the position of the 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 end of 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, Pn Farina was the Chief Financial Officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS, for two years.

Pn Farina 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. Currently, she is a Board Member of Petronas Gas Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn Bhd, Icon Offshore Berhad and EnQuest PLC.

Pn Farina has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

ENCIK AZLAN BAQEE ABDULLAH
Non Independent Non-Executive Director

Encik Azlan Baqee Abdullah ("Encik Azlan Baqee"), a Malaysian, aged 57, was appointed as a Non-Independent Non-Executive Director of AmBank Islamic on 3 July 2017. He is a Member of the Board Credit Committee of AmBank Islamic.

Encik Azlan Baqee obtained a Bachelor of Science in Business Administration, majoring Accounting and Finance from the California State University, Chico in 1985.

Encik Azlan Baqee started his early career in Banking in 1986 at MUI Bank and subsequently joined Arab-Malaysian Finance Berhad in 1988. In 1990, he joined the conglomerate Amcorp Group Berhad ("Amcorp") and undertook various property management and development projects including Amcorp Trade Centre in Petaling Jaya, Kayangan Heights in Shah Alam, Sibu Jaya Township in Sarawak, and various other mid-sized projects throughout Malaysia.

In 2007, Encik Azlan Baqee was appointed as the Chief Operating Officer of Amcorp Properties Berhad ("AMPROP"), a listed subsidiary of Amcorp, and he was primarily responsible for expanding into overseas markets such as London, Tokyo, Madrid, Hong Kong, Singapore and Shanghai as well as diversifying the Group's business into Sustainable Renewable Energy by establishing Solar and also Mini Hydro Power Plants in Malaysia.

Encik Azlan Baqee was previously an Exco member of KESAS Sdn Bhd, the concession holder and operator of the Shah Alam Expressway. Currently, he is a Board Member of AmREIT Holdings Sdn Bhd and AmREIT Managers Sdn Bhd and serves as board member of the subsidiaries within Amcorp and AMPROP groups. He also serves as Industry Advisory Panel for Azman Hashim International Business School at University Teknologi Malaysia (UTM).

Encik Azlan Baqee has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

DR MOHD NORDIN MOHD ZAIN
Independent Non-Executive Director

Dr Mohd Nordin Mohd Zain (“Dr Nordin”), a Malaysian, aged 62, was appointed as an Independent Non-Executive Director (“INED”) of AmBank Islamic on 16 January 2019. He is the Chairman of the Audit and Examination Committee (“AEC”) and a Member of the Risk Management Committee (“RMC”) of AmBank Islamic. He is also an INED, the Chairman of RMC and a Member of the AEC of AmMetLife Takaful Berhad.

A Chartered Accountant (CA), Dr Nordin is a member of Malaysian Institute of Accountants ("MIA"), a Fellow member of CPA Australia (FCPA) and a Fellow of IPA Australia (FIPA). He also serves as a council member of CPA Australia and MIA, and a founding board member of MASB. He obtained his doctorate degree in Strategic Management from Strathclyde University, UK in 1995 and Masters and Bachelor degrees in Accounting from the USA in the 80’s.

Dr Nordin has 35 years of experience in various capacities in banking, education, regulatory agency and professional practice. He started his career in internal audit and corporate banking for 6 years, in academic for 10 years, as a CEO for the Malaysian Accounting Standards Board ("MASB") for 10 years and as a Partner in Deloitte for 8 years.

Dr Nordin’s core skills are in banking, C-suite experience, international engagements, research as well as professional practice particularly in internal audit, financial reporting, strategy, Shariah-based transactions, IT systems implementation, risk management and talent.

Dr Nordin currently sits on the board of Zurich General Takaful Malaysia Berhad, UDA Holdings Berhad, Gopeng Berhad and international bodies such as AAOIFI (Accounting & Auditing Organization for Islamic Financial Institutions) in Bahrain UAE and the Institute of Public Accountants (IPA) Australia in Melbourne, and serves as an investment committee member of a subsidiary of AIA Berhad. He used to serve as a member of Public Accountants Oversight Committee in Brunei.

Dr Nordin has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILES (CONT'D.)

MS FOONG PIK YEE
Independent Non-Executive Director

Ms Foong Pik Yee (“Ms Foong”), a Malaysian, aged 62, was appointed as an Independent Non-Executive Director of AmBank Islamic on 25 November 2019. She is a Member of the Audit and Examination Committee and Risk Management Committee of AmBank Islamic.

Ms Foong is a Chartered Accountant and Chartered Banker. She obtained her Bachelor of Commerce from the University of Melbourne, Australia and Master of Business Administration from Monash University, Australia.

Ms Foong has over 35 years of experience in the banking sector and the accounting profession (audit and consultancy). Her experience in the banking sector was with international banks and a Malaysian public listed bank covering all aspects of general management, finance, risk management, sales and marketing, product management and operations. She had worked in Malaysia, Hong Kong, Singapore, Australia and Middle East.

Ms Foong returned to Malaysia under Talentcorp’s Returning Expert Programme and was the Chief Financial Officer of Hong Leong Bank from January 2013 to June 2019 where she directed and oversaw all matters relating to finance covering financial accounting, statutory and management reporting, capital management, taxation, corporate finance and investor relations.

Ms Foong currently sits on the board of Prudential Assurance Malaysia Berhad and Paramount Corporation Berhad. She serves on the Industry Advisory Board of Monash University, Malaysia from 2016 to now. She is also a mentor in ICAEW’s Women in Leadership programme and in the Malaysia Australia Business Council mentoring programme.

Ms Foong has no shareholding in AmBank Islamic.

CORPORATE GOVERNANCE (CONT'D.)

(b) DIRECTORS' TRAINING

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

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Bank’s strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, people initiatives, requirements of audit, compliance and risk management conducted by the various Managing Directors/Chief Executive Officers/Heads of the business units as well as Senior Management, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a Director, Board Charter, Code of Ethics, Constitution of the Bank, Board Committees’ Terms of Reference and Schedule of Matters Reserved for the Board, amongst others.

Apart from the Financial Institutions Directors’ Education ("FIDE") Programme accredited by The International Centre for Leadership in Finance ("ICLIF"), all Directors appointed to the Board have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank. The Directors also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the AMMB Group’s (including AmBank Islamic's) strategic direction. In addition, the Directors are constantly updated on information relating to the AMMB Group’s development and industry development through discussion at Board meetings with the Senior Management team.

CORPORATE GOVERNANCE (CONT'D.)

(c) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors ("the Board") remains fully committed in ensuring that the principles and recommendations in corporate governance are applied consistently in the Bank. The Board complies with the recommendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2017.

The Board supervises the management of the Bank’s businesses, policies and affairs with the goal of long term sustainability of the Bank. The Board met eleven (11) times during the financial 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 shareholder's meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments. The Board also gives due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of business, affairs or activities of the Bank and approves policies relating to Shariah matters upon consultation with the Shariah Committee.

The Board currently comprises six (6) Directors with wide skills and experience, five (5) of whom are Independent Non-Executive Directors. The Directors participate fully in decision-making on key issues regarding the Bank. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank is invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(d) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Board Committees together with the Committees established at AMMB Group level which were created to assist the Board in certain areas of deliberations, are:

1. Audit and Examination Committee (at Bank level);
2. Risk Management Committee (at Bank level);
3. Board Credit Committee (at Bank level);
4. Group Nomination and Remuneration Committee (at AMMB Group level); and
5. Group Information Technology Committee (at AMMB Group level).

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 notation.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:-

Number of meetings attended in Financial Year 2021 ("FY2021")				
	Board of Directors	Audit and Examination Committee	Risk Management Committee	Board Credit Committee
YBhg Dato' Sri Abdul Hamidy Abdul Hafiz	11/11 (Chairman)	N/A	N/A	26/26 (Chairman)
Hajjah Rosmah Ismail	11/11	N/A	N/A	26/26
Puan Farina Farikhullah Khan	11/11	7/7	8/8 (Chairman)	N/A
Encik Azlan Baqee Abdullah	11/11	N/A	N/A	26/26
Dr Mohd Nordin Mohd Zain	11/11	7/7 (Chairman)	8/8	N/A
Ms Foong Pik Yee	11/11	7/7	8/8	N/A
Number of meetings held in FY2021	11	7	8	26

Notes:

1. All attendances reflect the number of meetings attended during the Directors' tenure of service.
2. N/A represents non-Committee member.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank's assets and stakeholders interests. The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors.

The Committee reviews the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The Committee also follows up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in their audit reports. The financial statements are reviewed by the Committee prior to their submission to the Board of the Bank for approval.

In addition, the Committee reviews and reports to the Board any related party transactions and conflict of interest situations that may arise within the Bank.

The Committee met seven (7) times during the financial year ended 31 March 2021.

Internal Audit Function

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor whenever necessary.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Internal Audit Function (Cont'd.)

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

Group Internal Audit prioritises its efforts in performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of banking activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and projects to advise on risk management and internal control measures.

Risk Management Committee

Risk management is an integral part of the Bank’s strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level and also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal and capital risks, shariah, cyber security risk impacting the Bank.

The Committee is independent from management and comprises three (3) members, all of whom are Independent Non-Executive Directors. The Committee ensures that the Board’s risk tolerance level is effectively enforced, the risk management process is in place and functioning and reviews high-level risk exposures to ensure that they are within the overall interests of the Bank. It also assesses the Bank’s ability to accommodate risks under normal and stress scenarios.

The Committee met eight (8) times during the financial year ended 31 March 2021.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Risk Management Functions

The AMMB Group Risk Management is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the AMMB Group. The AMMB Group Risk Management encompasses Wholesale Credit Risk, Business Credit Risk, Retail Credit Risk, Investment Banking and Markets Risk, Operational Risk, Technology Risk and Governance and Provisioning (which is responsible for the development of credit models).

AMMB Group Risk Management takes its lead from the AMMB Group's Board's Approved Risk Appetite Framework that forms the foundation of the AMMB Group to set its risk/reward profile. The framework is reviewed and approved annually by the Board taking into account the AMMB Group's desired external rating and targeted profitability/return on capital employed ("ROCE") and is also periodically reviewed throughout the financial year by the executive management and subsequently the Board to consider any fine tuning/enhancements based on the prevailing economic condition or situation that may affect the operating environment which the AMMB Group operates in.

AMMB Group manages its technology risk (including cyber security risk) guided by the AMMB Group's Technology Risk Management Framework and Cyber Resilience Policy, which sets out the structure and direction in safeguarding and protecting AMMB Group's technology and systems against internal and external risks and threats. It is our objective to ensure that these guiding frameworks and policies are continuously enhanced and robustly tested to safeguard AMMB Group's and our customers' data from potential cyber-attacks.

Board Credit Committee

The Board has established the Board Credit of Committee ("BCC") to assist in ensuring that credit facilities and commitments, and connected party credit transactions are approved in accordance with policies approved by the Board. The Committee comprises three (3) members, all of whom are Non-Executive Directors.

The Committee met twenty-six (26) times during the financial year ended 31 March 2021.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

Group Nomination and Remuneration Committee

The Board delegated the nomination and remuneration functions to the Group Nomination and Remuneration Committee which is established at AMMB Group level. The Committee comprises five (5) members, all of whom are Non-Executive Directors and chaired by an Independent Non-Executive Director. The Bank is represented by Puan Farina Farikhullah Khan in the Committee. The Committee is responsible for, among others, the following:-

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank with regard to any changes that are deemed necessary;

- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board;

- on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;

- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, with the relevant experience and expertise needed to assist in managing the AMMB Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved;

- recommending the appointment of Shariah Committee members as well as reviewing the annual performance of the Shariah Committee members and recommending the remuneration for the Shariah Committee members; and

- to implement the ESS in accordance with the By-Laws of the ESS or approved by the shareholders of the AMMB.

The Committee met eight (8) times during the financial year ended 31 March 2021.

(d) COMMITTEES OF THE BOARD (CONT'D.)

Group Information Technology Committee ("GITC")

The Committee is established at AMMB Group level. The Committee comprises three (3) members, all of whom are Non-Executive Directors and 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 AMMB Group's business objectives and strategy. The key responsibilities of the Committee include, amongst others, the following functions:

- to provide strategic direction for IT development within the AMMB Group and ensuring that IT, digitalisation and technology-related innovation strategic plans are aligned and integrated with the AMMB Group's business objectives and strategy;

- to ensure the establishment of AMMB Group-wide IT policies, procedures and frameworks including IT security and IT risk management and e-banking services to ensure the effectiveness of internal control systems and the reliability of the management information systems;

- to provide oversight of the AMMB Group's long term IT strategic plans, budgets and implementation;

- to establish key performance indicators and service level agreements in measuring and monitoring the overall performance, efficiency and effectiveness of IT services delivered or received by the AMMB Group;

- to oversee the adequacy and utilisation of the AMMB Group's IT resources including computer hardware, software, personnel who involved in the development, modification and maintenance of computer programme and related standard procedures;

- to advise the Board on matters within the scope of GITC, as well as any major IT related issues that merit the attention of the Board;

- to review and approve deviations as allowed under Bank Negara Malaysia guidelines;

- to review IT planning and strategy, including the financial, tactical and strategic benefits of proposed significant information technology-related projects and initiatives; and

- to be responsible for overall oversight function on IT matters including ex-ante risk assessments on e-banking services.

The Committee met eight (8) times during the financial year ended 31 March 2021.

MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank 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 Bank, review 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 sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provide input on Bank policies.

HOLDING COMPANY

The Directors regard AMMB Holdings Berhad, which is incorporated in Malaysia, as the holding company.

RATING BY EXTERNAL AGENCIES

The Bank continues to maintain credit ratings with RAM Rating Services Berhad ("RAM").

Rating agency	Date accorded	Rating classification	Ratings
RAM	5 March 2021	Long-term financial institution rating	AA3
		Short-term financial institution rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

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 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 the Shariah 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 the documentations in relation to the Bank'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 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;
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 related parties of the Bank such as its legal counsel, auditor or consultant on Shariah matters upon request;
viii. to advise the Bank 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 the Bank:
   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 program 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 the Bank's sustainability and VBI agenda, including in relevant capacity building and awareness creation initiatives.

SHARIAH COMMITTEE (CONT'D.)

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

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

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 the Bank's business activities vis-à-vis Shariah in line with applicable statutes and guidelines/policies/circulars issued by relevant regulatory bodies.

Shariah Committee met six (6) times and Shariah Oversight Committee met eleven (11) times during the financial year ended 31 March 2021.

The attendance of Shariah Committee members at the meetings of Shariah Committee and Shariah Oversight Committee is set out below:

Number of Meetings Attended in Financial Year Ended 31 March 2021

	Shariah Committee	Shariah Oversight Committee
Asst. Prof. Dr. Tajul Aris Ahmad Bustami (Chairman)	6	11
Prof. Dr. Amir Husin Mohd Nor *	6	9
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman *	6	10
Assoc. Prof. Dr. Adnan Yusoff *	6	11
Assoc. Prof. Dr. Asmak Ab Rahman	6	10
Assoc. Prof. Dr. Ahmad Zaki Salleh	6	11
Number of meetings held in FY2021	6	11

* Note: tenure ended 31 March 2021

Registration No. 199401009897 (295576–U)

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 37 to the financial statements.

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

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ
Director

DR MOHD NORDIN MOHD ZAIN
Director

Kuala Lumpur, Malaysia
31 May 2021

Registration No. 199401009897 (295576–U)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' SRI ABDUL HAMIDY ABDUL HAFIZ** and **DR MOHD NORDIN MOHD ZAIN**, being two of the Directors of **AMBANK ISLAMIC BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 37 to 223 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 Bank as at 31 March 2021 and of its 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.

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ	**DR MOHD NORDIN MOHD ZAIN**
Director	Director

Kuala Lumpur, Malaysia
31 May 2021

Registration No. 199401009897 (295576–U)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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 **AMBANK ISLAMIC BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 223 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 the State of Wilayah Persekutuan this 31 May 2021

LING FOU-TSONG @ JAMIE LING

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

Before me,

COMMISSIONER FOR OATHS

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

Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
Telephone Number: 03-20362633

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Most Compassionate, The Most Merciful,

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

'Assalamualaikum warahmatullahi wabarakatuh'

'To the shareholders, depositors and customers of AmBank Islamic Berhad ("the Bank"):

We hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 March 2021.

Shariah advisory services were provided on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia.

The Bank’s senior management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to produce this report.

Through our sub-committee, being the Shariah Oversight Committee (“SOC”), we have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transactions, the relevant documentation and procedures adopted by the Bank.

The reviews were planned and performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with the Shariah principles.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONT'D.)

To the best of our knowledge based on the information provided to us, we are of the opinion that during the financial year ended 31 March 2021:

a) The contracts, transactions and dealings entered into by the Bank and legal documents used by the Bank, that we have reviewed and assessed are in compliance with the Shariah principles;

b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

c) The calculation of zakat is in compliance with Shariah principles; and

d) The overall operations, business, affairs and activities of the Bank are in compliance with Shariah but it has come to our attention that Shariah non-compliance ("SNC") events have occurred and have been or in the process of being rectified.

   This involves two (2) SNC events relating to the extension of Cash Line-i facilities without aqad and the use of insurance coverage for Industrial Hire Purchase-i facilities with SNC income estimated at approximately RM353,000.

   Prompted by the similar SNC event which was discovered in the financial year ended 31 March 2020, the SNC event 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 events involving Cash Line-i facilities. Given that this SNC event is of similar nature to the one (1) incident which occurred in the financial year ended 31 March 2020, both SNC events are grouped as a single SNC event 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.

We beg Allah the Almighty to grant us all the success and straightforwardness and Allah knows best.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONT'D.)

On behalf of the Shariah Committee

ASST. PROF. DR. TAJUL ARIS AHMAD BUSTAMI
Chairman of the Committee

ASSOC. PROF. DR. ASMAK AB RAHMAN
Member of the Committee

Kuala Lumpur, Malaysia
31 May 2021

Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
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Registration No. 199401009897 (295576-U)

Independent auditors' report to the member of AmBank Islamic Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmBank Islamic Berhad, which comprise the statement of financial position as at 31 March 2021 of the Bank, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 223.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2021, and of its 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 Bank 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.

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Registration No. 199401009897 (295576-U)

Independent auditors' report to the member of AmBank Islamic Berhad (cont'd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the directors' report and Shariah Committee's report, but does not include the financial statements of the Bank and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank 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 auditor's 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.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of the financial statements of the Bank 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 Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank'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 Bank 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 Bank 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.

Building a better
working world

Registration No. 199401009897 (295576-U)

Independent auditors' report to the member of
AmBank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

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

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 Bank'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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank 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 Bank to express an opinion on the financial statements of the Bank. We are reasonable for the direction, supervision and performance of the bank 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.

Building a better working world

Registration No. 199401009897 (295576-U)

Independent auditors' report to the member of AmBank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the member of the Bank, 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

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	6	9,398,808	5,923,761
Derivative financial assets	7	49,667	59,653
Financial assets at fair value through profit or loss	8	2,271,667	1,750,250
Financial investments at fair value through other comprehensive income	9	4,095,135	4,896,694
Financial investments at amortised cost	10	1,392,155	1,689,082
Financing and advances	11	35,389,517	31,906,797
Statutory deposit with Bank Negara Malaysia	12	113,000	147,000
Deferred tax assets	24	62,805	-
Other assets	13	250,502	255,124
Property and equipment	14	440	481
Right-of-use assets	15	2,351	2,759
Intangible assets	16	718	1,034
TOTAL ASSETS		53,026,765	46,632,635
LIABILITIES AND EQUITY			
Deposits from customers	17	41,732,511	34,672,130
Investment accounts of customers	18	94,834	208,726
Deposits and placements of banks and other financial institutions	19	3,217,364	3,541,575
Investment account due to a licensed bank	20	718,034	718,005
Recourse obligation on financing sold to Cagamas Berhad	21	800,000	1,000,000
Derivative financial liabilities	7	67,751	83,865
Term funding	22	1,034,766	1,034,697
Subordinated Sukuk	23	1,300,000	1,150,000
Deferred tax liabilities	24	-	7,884
Other liabilities	25	288,150	549,734
Provision for zakat		953	2,641
TOTAL LIABILITIES		49,254,363	42,969,257
Share capital	26	1,387,107	1,387,107
Reserves	27	2,385,295	2,276,271
Equity attributable to equity holder of the Bank		3,772,402	3,663,378
TOTAL LIABILITIES AND EQUITY		53,026,765	46,632,635
COMMITMENTS AND CONTINGENCIES	47	14,742,101	13,487,792
NET ASSETS PER SHARE (RM)		7.63	7.41

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

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	28	1,620,725	1,788,280
Income derived from investment of investment account funds	29	32,073	79,243
Income derived from investment of shareholder's funds	30	169,130	193,602
Allowance for impairment on financing and advances	31	(515,864)	(156,292)
Writeback of allowance for impairment losses on financial investments	32	10,598	1,410
Impairment losses on other financial assets	33	(49)	(19)
Writeback of provision/(provision) for commitments and contingencies	34	2,433	(32)
Total distributable income		1,319,046	1,906,192
Income attributable to the depositors and others	35	(780,308)	(1,009,646)
Income attributable to the investment account holders	36	(26,612)	(68,442)
Total net income		512,126	828,104
Other operating expenses	37	(295,578)	(307,345)
Finance costs	40	(98,692)	(99,280)
Profit before zakat and taxation		**117,856**	**421,479**
Zakat		(1,018)	(3,027)
Taxation	41	4,463	(84,664)
Profit for the financial year		**121,301**	**333,788**
Basic/diluted earnings per share (sen)	42	24.54	67.52

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

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	2021 RM'000	2020 RM'000
Profit for the financial year	121,301	333,788
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments		
Financial investments at fair value through other comprehensive income:		
Net changes in fair value	(103)	34,949
Expected credit loss	(10,838)	(1,386)
Net gain reclassified to statement of profit or loss	(2,015)	(10,627)
Income tax effect (Note 24)	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	109,024	350,886

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

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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

		Attributable to Equity Holder of the Bank				
			Non-distributable		Distributable	
	Note	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2019		1,387,107	164,928	39,151	1,933,885	3,525,071
Profit for the financial year		-	-	-	333,788	333,788
Other comprehensive income		-	-	17,098	-	17,098
Total comprehensive income for the financial year		-	-	17,098	333,788	350,886
Transfer from regulatory reserve		-	(93,316)	-	93,316	-
Dividends on ordinary shares	43					
- final, financial year ended 31 March 2019		-	-	-	(163,142)	(163,142)
- interim, financial year ended 31 March 2020		-	-	-	(49,437)	(49,437)
Transactions with owner and other equity movements		-	(93,316)	-	(119,263)	(212,579)
At 31 March 2020		1,387,107	71,612	56,249	2,148,410	3,663,378
At 1 April 2020		1,387,107	71,612	56,249	2,148,410	3,663,378
Profit for the financial year		-	-	-	121,301	121,301
Other comprehensive income		-	-	(12,277)	-	(12,277)
Total comprehensive income for the financial year		-	-	(12,277)	121,301	109,024
Transfer from regulatory reserve*		-	(71,612)	-	71,612	-
Transactions with owner and other equity movements		-	(71,612)	-	71,612	-
At 31 March 2021		1,387,107	-	43,972	2,341,323	3,772,402

* 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 Bank 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.

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and taxation		117,856	421,479
Adjustments for:			
Net accretion of discount on securities		(58,672)	(48,165)
Amortisation of premium/(accretion of discount) on term funding	22 (b)	69	(303)
Allowance for impairment on financing and advances	31	615,506	236,362
Amortisation of intangible assets	16, 37	379	369
Depreciation of property and equipment	14, 37	128	128
Depreciation of right-of-use assets	15, 37	299	143
Finance cost for lease liabilities	25 (a), 37	74	26
Finance cost for provision for reinstatement of leased properties	37	2	1
Gain on disposal of financial assets at fair value through profit or loss	28, 30	(17,505)	(15,495)
Loss/(gain) on revaluation of financial assets at fair value through profit or loss	28, 30	770	(348)
Gain on disposal of financial investments at fair value through other comprehensive income	28, 30	(2,015)	(10,627)
Writeback of allowance for impairment losses on financial investment and other financial assets	32, 33	(10,549)	(1,391)
(Gain)/loss on revaluation of derivatives		(6,127)	11,829
Amortisation for shares granted under AMMB ESS - charge	37	1,726	956
Unrealised loss/(gain) on revaluation of hedged item arising from fair value hedge	9	6,177	(14,479)
(Writeback of provision)/provision for commitments and contingencies	34	(2,433)	32
Net adjustment on COVID-19 relief measures		(12,130)	-
Operating profit before working capital changes		633,555	580,517
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		(470,415)	3,412,141
Financing and advances		(4,200,468)	(3,220,710)
Statutory deposit with Bank Negara Malaysia		34,000	823,000
Other assets		85,236	167,715

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
Increase/(decrease) in operating liabilities:			
Deposits from customers		7,060,380	3,532,194
Investment accounts of customers		(113,892)	(144,725)
Deposits and placements of banks and other financial institutions		(306,338)	943,025
Investment account due to a licensed bank		29	(747,533)
Term funding	22 (b)	-	(45,000)
Other liabilities		(258,791)	216,046
Recourse obligation on financing sold to Cagamas Berhad		(200,000)	481,650
Cash generated from operating activities		2,263,296	5,998,320
Zakat paid		(2,705)	(2,445)
Tax paid		(51,388)	(104,787)
Net cash generated from operating activities		2,209,203	5,891,088
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption/(purchase) of financial investments at fair value through other comprehensive income		817,549	(1,348,140)
Net redemption of financial investments at amortised cost		298,822	25,000
Purchase of intangible assets	16	(63)	(52)
Purchase of property and equipment	14	(87)	(33)
Net cash generated from/(used in) investing activities		1,116,221	(1,323,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	43	-	(212,579)
Rental payment for lease liabilities	25 (a)	(328)	(146)
Issuance of Subordinated Sukuk	23 (a)	400,000	-
Repayment of Subordinated Sukuk	23 (a)	(250,000)	-
Net cash generated from/(used in) financing activities		149,672	(212,725)

AMBANK ISLAMIC BERHAD
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
Net increase in cash and cash equivalents		3,475,096	4,355,138
Cash and cash equivalents at beginning of the financial year		5,923,787	1,568,649
Cash and cash equivalents at end of the financial year		9,398,883	5,923,787
Cash and cash equivalents comprise:			
Cash and short-term funds	6	9,398,808	5,923,761
Allowances for expected credit loss ("ECL") for cash and cash equivalents	6	75	26
		9,398,883	5,923,787

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

1. CORPORATE INFORMATION

The Bank is a licensed Islamic banking institution providing Islamic retail and commercial banking products and services in accordance with Shariah principles. There has been no significant change in these activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

The Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("AMMB"), a company incorporated in Malaysia. AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements of the Bank have been approved and authorised for issue by the Board of Directors on 26 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 Bank has made an assessment of the ability of the Bank to continue as 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 Bank's ability to continue as going concern, hence the financial statements have been prepared on a going concern basis.

2.2 Statement of compliance

The financial statements of the Bank 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. ACCOUNTING POLICIES (CONT'D.)

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 ("current") and more than 12 months after the reporting date ("non-current") is presented in Note 48.

2.4 Summary of significant accounting policies

2.4a Foreign currencies

(i) Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The Bank’s financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank’s functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Bank at its 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.

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 other comprehensive income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively).

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4b Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. When significant parts of property and equipment are required to be replaced at intervals, the Bank 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 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.

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

Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.33%
Office equipment, furniture and fittings	10% to 50%

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4c 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 the asset, even if that right is not explicitly specified in an arrangement.

(i) The Bank 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 Bank.

At the commencement date of the lease, the Bank 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 Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank 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 Bank uses the incremental borrowing rate at the lease commencement date if the profit 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 profit 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 Bank 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 Bank 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4c Leases (Cont'd.)

(i) The Bank as a lessee (Cont'd.)

The Bank 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 Bank as a lessor

Leases in which the Bank 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.

2.4d 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 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4d Intangible assets, other than goodwill arising from business combination (Cont'd.)

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 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 Bank can demonstrate:

- the technical feasibility of completing the intangible asset so that it 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4d Intangible assets, other than goodwill arising from business combination (Cont'd.)

(i) Research and development costs (Cont'd.)

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.

2.4e Financial instruments – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Bank becomes 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 Bank applies trade date accounting for derivative financial instruments and investments in equity instruments, and settlement date accounting for investments in debt instruments.

(ii) Initial measurement

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4e Financial instruments – initial recognition and measurement (Cont'd.)

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Bank 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 the fair value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

2.4f Financial assets – classification and subsequent measurement

The Bank classifies 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 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 Bank manages the financial assets in order to generate cash flows. That is, whether the Bank'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 Bank 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

The classification requirements for debt instruments are described below (Cont'd.):

(i) Debt instruments (Cont'd.)

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 Bank assesses whether the financial assets' contractual cash flows represent solely payment of principal and profit ("SPPP"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic financing arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPP.

Based on these factors, the Bank classifies 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 SPPP, and that are not designated at FVTPL, are measured at amortised cost using the effective profit method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the methodology described in Note 2.4k. 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 profit rate ("EPR"). The EPR amortisation is included in “profit income” in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in “impairment losses on financial investments” for sukuk, “impairment losses on financing and advances” for financing and advances or “doubtful receivables” for losses other than sukuk, financing and advances.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

The classification requirements for debt instruments are described below (Cont'd.):

(i) Debt instruments (Cont'd.)

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPP, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through OCI, except for the recognition of impairment losses (measured using the methodology described in Note 2.4k), profit income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Profit earned whilst holding the assets are reported as "profit income" using the effective profit method. The losses arising from impairment are reclassified from OCI to profit or loss in “impairment losses on financial investments”. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI are 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 “other operating income”. Profit earned whilst holding the assets are reported as "profit income" using the effective profit method.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4f Financial assets – classification and subsequent measurement (Cont'd.)

(ii) Reclassification of debt investments

The Bank reclassifies debt investments when and only when its 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.

2.4g Financial liabilities – classification and subsequent measurement

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

- financial liabilities at FVTPL; and
- financial guarantee contracts and financing commitments (see Note 2.4r).

(i) Amortised cost

Financial liabilities issued by the Bank, that are not designated at FVTPL, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank 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 financings are subsequently measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4g Financial liabilities – classification and subsequent measurement (Cont'd.)

(i) Amortised cost (Cont'd.)

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

(ii) FVTPL

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

2.4h 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 Bank has transferred rights to receive cash flows from the asset or 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 Bank has transferred substantially all the risks and rewards of the asset; or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4h Derecognition of financial instruments (Cont'd.)

(i) Derecognition of financial assets (Cont'd.)

When the Bank has transferred rights to receive cash flows from an asset or has 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 Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

(ii) Modification of financing

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

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the financing.
- Significant extension of the financing term when the customer is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculate a new EPR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank 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 customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4h Derecognition of financial instruments (Cont'd.)

(ii) Modification of financing (Cont'd.)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognise 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 EPR.

(iii) Derecognition of financial liabilities

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4i Securities borrowing and lending

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

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

2.4j Fair value measurement

The Bank 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 Bank.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4j Fair value measurement (Cont'd.)

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets or liabilities that are recognised at fair value in the financial statements on a recurring basis, the Bank 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 the following are disclosed in Note 51:

a) financial instruments that are measured at fair value; and
b) financial assets and financial liabilities that are not measured at fair value, but for which fair value is disclosed.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4k Financial instruments - expected credit losses

The Bank assesses 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 financing commitments and financial guarantee contracts. The Bank recognises 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. Profit income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. If, in the 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 financing commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a financing and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the financing component, the ECL on the undrawn commitment are recognised together with the loss allowance for the financing. To the extent that the combined ECL exceed the gross carrying amount of the financing, the ECL are recognised as a provision.

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

Financing together with the associated allowance are written off when the Bank has exhausted all practical recovery efforts and there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Bank. The Bank 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.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4k Financial instruments - expected credit losses (Cont'd.)

(i) Rescheduled and restructured financing

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

(ii) Collateral valuation

The Bank 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 Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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

2.4l Hedge accounting

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4l Hedge accounting (Cont'd.)

At inception of the hedge relationship, the Bank 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 Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in “other operating 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 “other operating 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 profit method. EPR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4m Offsetting financial instruments

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

2.4n Impairment of non-financial assets

The Bank assesses 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 Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

For assets excluding goodwill and intangible assets with indefinite useful lives, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4n Impairment of non-financial assets (Cont'd.)

The following asset has specific characteristics for impairment testing:

(i) 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.

2.4o Cash and cash equivalents

Cash and short-term funds in the statement 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 statement of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than three months, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

2.4p Provisions

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

2.4q 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 Bank is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4q Contingent liabilities and contingent assets (Cont'd.)

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 Bank. The Bank does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.4r Financial guarantee contracts and financing commitments

Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified customer fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note 2.4k) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in Note 2.4k).

2.4s Recognition of income and expenses relating to financial instruments

(i) Profit income and similar income and expense

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4s Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (cont'd.)

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EPR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Bank 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 EPR from the date of the change in estimate.

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

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

Income and expense are recognised in accordance with the principles of Shariah. This includes financing provided, deposits accepted and investment account under the following Shariah contracts:

<u>Murabahah</u>

This is a contract of sale of goods/assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income on financing is recognised on EPR basis over the period of the contract based on the principal amounts outstanding.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4s Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

<u>Bai’ Bithaman Ajil</u>

This is a contract of sale and purchase of an asset in which the payment of price is deferred either to be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on EPR basis over the expected life of the contract based on principal amount outstanding.

The Islamic Negotiable Instruments ("INI") can also be structured along the concept of Bai’ Bithaman Ajil for Negotiable Islamic Debt Certificate. Profit attributable to the buyer of the INI will be based on the fixed profit rate which is quoted on the placement date.

<u>Bai' Inah</u>

This is an arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent purchase of the asset at a cash price lower than the deferred sale price or vice versa, and which complies with the specific requirements of Bai`Inah. Income is recognised on EPR basis over the expected life of the contract based on principal amount outstanding.

<u>Tawarruq</u>

This is an arrangement that involves of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis. Income is recognised on EPR basis over the period of the contract based on the principal amounts outstanding.

For Commodity Murabahah term deposits and CASA, profit attributable to the depositors based on the fixed profit rate which is quoted to the customer on the placement date. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in profit or loss as incurred.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4s Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

Al-Ijarah Thumma Al-Bai'

This is a contract of lease ending with the transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two contracts in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on EPR basis over the lease term.

Mudarabah

This refers to a contract between the customer known as an investment account holder and the Bank where the customer agrees to participate in the financial activities undertaken by the Bank and shares the profit generated from financing and/or investment activities based on an agreed Profit Sharing Ratio ("PSR"). Profit is distributed according to the agreed PSR at the point of the contract. The profit attributable to Investment Account Holder is based on the indicative profit rate that may change based on the financial performance of the underlying asset.

Musharakah Mutanaqisah

In Musharakah Mutanaqisah financing, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of the reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Ujrah

Ujrah refers to fee for services rendered. Income is recognised based on a fee charged by the Bank in providing the credit card facility to credit card customers.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4s Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) Profit income and similar income and expense (Cont'd.)

Wakalah

This refers to an "investment agency" contract where the Bank is appointed as an agent to undertake investment activities on behalf of the customer for a fee. The Bank acts in two capacities - as "Agent" in accepting funds from the customer who plans to invest, and as Investment Manager in carrying out Shariah compliant investment activities as agreed by both parties. The Bank, as an agent, does not guarantee the profit expected from the investments. Profit distributed is based on the expected profit rate which is quoted to the customer on placement date.

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian) but the custodian may provide returns to the depositors as a token of appreciation which is known as hibah.

(ii) Investment and trading income disclosed as other operating income

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

2.4t 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 Bank 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4t Recognition of revenue from contracts with customers (Cont'd.)

A contract with customer exists when the contract has commercial substance, the Bank and its customer have approved the contract and intend to perform their respective obligations, the Bank’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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 are 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.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4t 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 Bank earns fee and commission income from a diverse range of services provided 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 financing arrangement, commission income, and other service and advisory fees. Financing commitment fees for financing that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separate performance obligation of the transaction in which the award credits are granted (i.e. a material right). The fair value of the consideration received in respect of the transaction 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 Bank 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4u 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 Bank 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 Bank 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 Bank has no further payment obligations.

(iii) 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 Bank recognises termination benefits when the Bank is 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4u Employee benefits (Cont'd.)

(iv) Share-based payment transactions

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

The cost of equity-settled transactions is recognised by the Bank, together with a corresponding increase in the amount payable to, or the amount receivable from, AMMB 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 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 from the beginning to the end of that period.

2.4v Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholder. 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4w 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:

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4w Taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.4x Zakat

This represents business zakat payable by the Bank to comply with Shariah principles approved by the Bank’s Shariah Committee. Zakat provision is calculated by reference to the zakat rate of 2.5% of the net profit after tax and is based on percentage of estimated Muslim shareholders of the holding company. The Bank has fulfilled its obligation to pay business zakat to state zakat authorities and has identified eligible beneficiaries (asnaf).

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (Cont'd.)

2.4y Earnings Per Share ("EPS")

The Bank presents basic and diluted (where applicable) EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Bank by the weighted average number of ordinary shares outstanding during the period. 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.

2.4z 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 Bank 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.

The Bank's segmental reporting is based on the following operating segments: retail banking, business banking, wholesale banking, investment banking and group funding and others, as disclosed in Note 53.

2.4aa Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Bank 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.

2.4ab Government grant

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of Amendments and Annual Improvements to Standards

The accounting policies adopted are consistent with those adopted in 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 to MFRS 16)

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other amendments to published standards.

The nature of the amendments to published standards relevant to the Bank 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 Bank.

(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 financial year.

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

3.1 Adoption of Amendments and Annual Improvements to Standards (Cont'd.)

(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 judgments. The adoption of these amendments did not result in any impact to the financial statements of the Bank.

(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 longer present.

The relief provided by the amendments requires the Bank to assume that the profit rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Bank 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.

(e) Early adoption of COVID-19-Related Rent Concessions (Amendment of MFRS 16)and COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to 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. 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 2022, the Bank adopted the amendment early as the Bank 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 that was imposed by the Government of Malaysia.

The Bank 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 RM124,000, had been credited to statement of profit or loss during the financial year.

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

3.2 Standards issued but not yet effective

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

Description	Effective for annual period 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

The nature of the new standard and amendments to published standards that are issued and relevant to the Bank but not yet effective are described below. The Bank is currently assessing the financial effects of their adoption except for MFRS 17 which is not relevant as the Bank does not issue any insurance contract or investment contract with discretionary participation features.

(a) 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").

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

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

(a) Amendments to published standards effective for financial year ending 31 March 2022 (Cont'd.)

Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) (Cont'd.)

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/profit rate, equivalent to a movement in a market rate of interest/profit. 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 Bank 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 AMMB 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 Bank are regularly briefed on the progress of this programme.

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

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

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

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

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

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

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

The amendments explain that 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.

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

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

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

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. 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:

(i) 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.

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

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

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

Annual Improvements to MFRS Standards 2018-2020 (Cont'd.)

(iii) 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.

(iv) 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.

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

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 Bank presents 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.)

(c) 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.

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 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 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 customers request for the repayment assistance. The additional repayment assistance will be available to eligible 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"). Judgment 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 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 for Islamic Banks (Capital Components)

On 9 December 2020, BNM issued revised policy documents, 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 this revised policy document, a financial institution is allowed to add back the loss allowance for non-credit-impaired exposures (ie Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital.

The Bank 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.

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

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

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

(i) The determination of “days past due” should be based on the new repayment terms of a 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 financing to individuals or SMEs, a 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 financing is sold by the banking institution at a material loss or the customer is subjected to bankruptcy actions; and

(iii) For financing to corporates, the assessment of “unlikeliness to repay” should not be based solely on the 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 customer.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgments, 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 Bank’s accounting policies, management has made the following judgments, 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, 9, 10, 11, 25, 31, 32, 33 and 34)

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

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

5.1 Measurement of ECL allowances (Notes 6, 9, 10, 11, 25, 31, 32, 33 and 34) (Cont'd.)

Components of ECL models that involve significant judgment 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 formulas 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 macro-economic 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 AMMB Group's internal credit grading model which assigns Probability of Default ("PD") to the individual grades.

Under the government support measures to assist customers adversely impacted by the COVID-19 pandemic, the moratorium on repayment/payment of 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 Bank is applying experienced credit judgement to assess SICR and is applying forward-looking overlay adjustments on ECL estimates to account for heightened uncertainty for those customers under extended repayment assistance.

5.2 Lease term of agreements with renewal options (Note 15)

The Bank 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 Bank has the option, under some of its leases to lease the assets for additional terms of three to six years. The extension options held are exercisable only by the Bank and not by the respective lessor. In determining the lease term, the Bank 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 Bank 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 Bank 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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.3 Deferred tax assets and income taxes (Notes 13, 24 and 41)

The Bank'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.

5.4 Fair value measurement of financial instruments (Notes 7, 8, 9, 28, 30 and 51)

When the fair values of financial assets and financial liabilities recorded on the statement 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, judgment is required to establish fair values. Judgments 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.

6. CASH AND SHORT-TERM FUNDS

	Note	2021 RM'000	2020 RM'000
Cash and bank balances		133,883	457,567
Less: Allowances for ECL	(a)	(75)	(26)
		133,808	457,541
Deposits and placements maturing within one month with original maturity of three months or less:			
Licensed islamic banks		80,000	-
Other financial institutions		180,000	350,000
Bank Negara Malaysia		9,005,000	5,116,220
		9,265,000	5,466,220
Total cash and bank balances and deposits and placements		9,398,808	5,923,761

(a) The movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000
2020	
Balance at beginning of the financial year	6
Net allowances for ECL (Note 33):	19
Changes in model assumptions and methodologies	8
Net remeasurement of allowances	11
Foreign exchange differences	1
Balance at end of the financial year	26
2021	
Balance at beginning of the financial year	26
Net allowances for ECL (Note 33):	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 forward looking ("FL") ECL overlay of RM8,000 provided in the previous financial year and net remeasurement of allowances.

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The table below shows the Bank's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the reporting date are analysed below:

	Contract/Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
2021			
Trading Derivatives			
Foreign exchange related contracts			
One year or less	3,165,280	27,029	26,374
Over one year to three years	945,775	12,184	11,318
Over three years	556,606	5,643	4,914
Commodity related contracts			
Over three years	70,332	4,811	4,811
Hedging Derivatives			
Profit rate related contracts			
Profit rate swaps			
- Fair value hedge			
Over three years	350,000	-	20,334
Total	5,087,993	49,667	67,751
2020			
Trading Derivatives			
Foreign exchange related contracts			
One year or less	2,200,167	34,285	33,724
Over one year to three years	1,437,591	13,817	13,124
Over three years	1,108,395	3,744	2,518
Commodity related contracts			
Over three years	73,217	7,807	7,811
Hedging Derivatives			
Profit rate related contracts			
Profit rate swaps			
- Fair value hedge			
Over three years	350,000	-	26,688
Total	5,169,370	59,653	83,865

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

Derivative financial instruments and hedge accounting

(i) Fair value hedge

Profit rate risk

The Bank holds a portfolio of long-term fixed rate financial investments and mortgages, therefore is exposed to changes in fair value due to movements in market profit rates. The Bank manages a portion of this risk exposure that is not naturally offset against floating rate positions held by the Bank 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 Bank. 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 by comparing changes in the fair value of the financing attributable to changes in the benchmark rate of profit with changes in the fair value of the profit rate swaps.

The Bank 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 sources of ineffectiveness arise from differences in timing of cash flows between debt instruments and profit rate swaps.

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

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

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

	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 swaps					
Notional	-	-	-	-	350,000
Average floating profit rate	-	-	-	-	3.0%
2020					
Fair value hedge - Profit rate risk					
Profit rate swaps					
Notional	-	-	-	-	350,000
Average floating profit rate	-	-	-	-	3.0%

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

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

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

	Notional Amount RM'000	Carrying amount of Derivative Financial Assets RM'000	Carrying amount of Derivative Financial Liabilities RM'000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
2021					
Fair value hedge					
Profit rate risk					
- Profit rate swaps	350,000	-	(20,334)	Derivative financial liabilities	6,354
2020					
Fair value hedge					
Profit rate risk					
- Profit rate swaps	350,000	-	(26,688)	Derivative financial liabilities	(15,347)

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

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

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

	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Change in fair value used for calculating hedge ineffectiveness during the year	Continuing hedge	Discontinued hedge
	Assets	Liabilities	Assets	Liabilities				
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
2021								
Fair value hedge								
Profit rate risk								
- Unquoted Sukuk	366,293	-	20,445	-	Financial investments at FVOCI	(6,177)	-	-
2020								
Fair value hedge								
Profit rate risk								
- Unquoted Sukuk	363,661	-	26,622	-	Financial investments at FVOCI	14,479	-	-

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

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

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

	(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
2021			
Fair value hedge			
Profit rate risk			
- Unquoted Sukuk	(6,177)	177	Other operating income
2020			
Fair value hedge			
Profit rate risk			
- Unquoted Sukuk	14,479	(868)	Other operating income

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	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

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	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

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 Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("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 subsequently extended to 31 December 2022 as announced by BNM on 20 January 2021.

As at 31 March 2021, the Bank had recognised a total carrying amount of RM0.65 billion (RM0.62 billion in nominal value) (2020: RM0.55 billion (RM0.53 billion in nominal value)) of MGII for statutory reserve requirement purposes.

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

The Bank had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million using profit rate swap with AmBank (M) Berhad ("AmBank"). The gain/(loss) arising from the fair value hedge during the current financial year is as follows:

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

The fair value changes on the hedged item is taken up under fair value reserve and the hedging gain or loss on the hedged item is reclassified to profit or loss.

Movements in allowances for ECL are as follows:

	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 (Note 32):	1,575	(2,961)	(1,386)
- Transfer to Stage 1	561	(689)	(128)
- Transfer to Stage 2	(260)	334	74
New financial assets originated	4,546	2,759	7,305
Financial assets 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
2021			
Balance at beginning of the financial year	3,958	15,675	19,633
Net writeback of ECL (Note 32):	(1,990)	(8,848)	(10,838)
New financial assets originated	645	-	645
Financial assets 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 during the current financial year 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.

10. FINANCIAL INVESTMENTS AT AMORTISED COST

		2021 RM'000	2020 RM'000
At amortised cost:	**Note**		
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	(a)	(523)	(283)
		1,392,155	1,689,082

(a) The movements in allowances for ECL are as follows:

	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	307	-	307
Net writeback of ECL (Note 32):	(24)	-	(24)
Financial asset derecognised	(32)	-	(32)
Changes in model assumptions and methodologies	71	-	71
Net remeasurement of allowances	(63)	-	(63)
Balance at end of the financial year	283	-	283
2021			
Balance at beginning of the financial year	283	-	283
Net (writeback of)/allowances for ECL (Note 32):	(185)	425	240
- Transfer to 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 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 decrease in net remeasurement of allowances.

11. FINANCING AND ADVANCES

(a) Financing and advances by type and Shariah contracts are as follows:

2021

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	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
Staff financing	-	12,454	-	-	-	-	12,454
Claims on customers under acceptance credits	-	1,848,952	-	-	-	259,041	2,107,993
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
Less: Allowances for ECL (Note 11(j))							
- Stage 1 - 12 months 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

11. FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type and Shariah contracts are as follows (Cont'd.):

2020

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	590,232	-	-	852,540	-	1,442,772
Term financing	592,256	8,977,666	9,683	-	1,768,433	46,485	11,394,523
Revolving credit	42,097	3,611,362	-	-	1,438,189	-	5,091,648
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
Staff financing	-	2,443	-	-	-	-	2,443
Claims on customers under acceptance credits	-	1,638,191	-	-	-	295,391	1,933,582
Others	-	220,375	-	-	-	-	220,375
Gross financing and advances*	3,452,733	20,069,181	55,962	3,769,943	4,059,162	866,294	32,273,275
Less: Allowances for ECL (Note 11(j))							
- Stage 1 - 12 months ECL							(101,638)
- Stage 2 - Lifetime ECL not credit impaired							(167,791)
- Stage 3 - Lifetime ECL credit impaired							(97,049)
Net financing and advances							31,906,797

* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangement between the Bank and AmBank amounting to RM719.5 million (2020: RM719.9 million). Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing. Further details of the RA are disclosed in Note 20.

11. FINANCING AND ADVANCES (CONT'D.)

(b) Gross financing and advances analysed by type of customer are as follows:

	2021 RM'000	2020 (Restated) (Note 54) RM'000
Domestic non-bank financial institutions	1,138,836	1,352,561
Domestic business enterprises		
- Small medium enterprises ("SME")	6,645,241	6,620,988
- Others	9,281,608	8,459,134
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	32,273,275

(c) All financing and advances reside in Malaysia.

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

	2021 RM'000	2020 (Restated) (Note 54) 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 base financing rate plus	18,398,613	15,143,124
- Cost plus	9,444,652	9,786,808
- Other variable rates	844,228	346,711
	36,225,192	32,273,275

11. FINANCING AND ADVANCES (CONT'D.)

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

	2021 RM'000	2020 (Restated) (Note 54) RM'000
Agriculture	1,234,973	1,383,594
Mining and quarrying	1,284,627	1,097,635
Manufacturing	4,461,415	3,885,960
Electricity, gas and water	272,784	222,289
Construction	1,203,347	1,296,182
Wholesale and retail trade and hotel and restaurants	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
	36,225,192	32,273,275

(f) Gross financing and advances analysed by residual contractual maturity are as follows:

	2021 RM'000	2020 (Restated) (Note 54) RM'000
Maturing within one year	9,714,383	10,176,391
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	32,273,275

11. FINANCING AND ADVANCES (CONT'D.)

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

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	615,350	572,549
Additions during the year	385,160	455,618
Reclassified as non-impaired	(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%

(h) All impaired financing and advances reside in Malaysia.

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

	2021 RM'000	2020 (Restated) (Note 54) 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 and retail trade and hotel and restaurants	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
	613,074	615,350

11. FINANCING AND ADVANCES (CONT'D.)

(j) Movements in allowances for ECL 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	80,362	204,632	122,627	407,621
Net allowances for/ (writeback of) ECL (Note 31):	21,299	(36,841)	251,904	236,362
- Transfer to Stage 1	3,659	(35,197)	(1,531)	(33,069)
- Transfer to Stage 2	(7,841)	60,718	(9,447)	43,430
- Transfer to 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
Other adjustments				
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

11. FINANCING AND ADVANCES (CONT'D.)

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

	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 (Note 31):	42,708	421,885	150,913	615,506
- Transfer to Stage 1	3,805	(19,740)	(329)	(16,264)
- Transfer to Stage 2	(10,809)	80,382	(4,956)	64,617
- Transfer to 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 an ECL amount transfer from AmBank due to early redemption of RA of RM NIL (2020: RM3.3 million).

11. FINANCING AND ADVANCES (CONT'D.)

(j) 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 for the Bank.

Overall, the total allowance for impairment on financing and advances for the Bank increased by RM469.2 million due to the following:

(a) 12-month ECL (Stage 1) – increase of RM42.7 million mainly due to the impacts from the net remeasurements 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.

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined as a set percentage of total eligible liabilities. The Statutory Reserve Requirements ("SRR") rate for banking industries is 2.0% of eligible liabilities.

13. OTHER ASSETS

	Note	2021 RM'000	2020 RM'000
Other receivables, deposits and prepayments		118,701	29,322
Amount due from related companies	(a)	-	77,114
Profit receivable		47,869	62,910
Tax recoverable		10,689	24,848
Deferred charges	(b)	73,243	60,930
		250,502	255,124

(a) Amount due from related companies are unsecured, non-profit bearing and are repayable on demand.

(b) Deferred charges represent prepaid expenses for handling fees, marketing and promotion expenses relating to financing and advances.

14. PROPERTY AND EQUIPMENT

	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-Progress RM'000	Total RM'000
Cost						
At 1 April 2019	446	168	675	528	-	1,817
Additions	-	2	31	-	-	33
At 31 March 2020/1 April 2020	446	170	706	528	-	1,850
Additions	-	-	67	-	20	87
At 31 March 2021	446	170	773	528	20	1,937
Accumulated depreciation						
At 1 April 2019	375	136	587	143	-	1,241
Depreciation for the financial year (Note 37)	20	13	41	54	-	128
At 31 March 2020/1 April 2020	395	149	628	197	-	1,369
Depreciation for the financial year (Note 37)	21	13	40	54	-	128
At 31 March 2021	416	162	668	251	-	1,497
Carrying amount						
At 31 March 2020	51	21	78	331	-	481
At 31 March 2021	30	8	105	277	20	440

15. RIGHT-OF-USE ASSETS

	2021 RM'000	2020 RM'000
Premises		
Cost		
At beginning of the financial year	2,902	271
Additions	-	2,631
Remeasurement	(109)	-
At end of the financial year	2,793	2,902
Accumulated depreciation		
At beginning of the financial year	143	-
Depreciation for the financial year (Note 37)	299	143
At end of the financial year	442	143
Carrying amount		
At end of the financial year	2,351	2,759

The carrying amount of the right-of-use assets includes estimated cost for reinstatement amounted to approximately RM53,000 (2020: RM67,000).

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 25(a).

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

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

16. INTANGIBLE ASSETS

	Computer software RM'000	Work-in-progress RM'000	Total RM'000
2021			
Cost			
At beginning of the financial year	2,758	19	2,777
Additions	63	-	63
Reclassification	19	(19)	-
At end of the financial year	2,840	-	2,840
Accumulated amortisation			
At beginning of the financial year	1,743	-	1,743
Amortisation for the financial year (Note 37)	379	-	379
At end of the financial year	2,122	-	2,122
Carrying amount			
At end of the financial year	718	-	718
2020			
Cost			
At beginning of the financial year	2,725	-	2,725
Additions	33	19	52
At end of the financial year	2,758	19	2,777
Accumulated amortisation			
At beginning of the financial year	1,374	-	1,374
Amortisation for the financial year (Note 37)	369	-	369
At end of the financial year	1,743	-	1,743
Carrying amount			
At end of the financial year	1,015	19	1,034

17. DEPOSITS FROM CUSTOMERS

	2021 RM'000	2020 RM'000
(i) By type of deposit:		
Savings deposit:		
Commodity Murabahah	3,169,111	2,365,009
Qard	83,621	61,836
Demand deposit:		
Commodity Murabahah	9,012,721	7,812,982
Qard	443,683	337,707
Term deposit:		
Commodity Murabahah	28,786,399	23,517,738
Qard	236,976	278,734
Negotiable instruments of deposits:		
Bai' Bithaman Ajil	-	298,124
Total	41,732,511	34,672,130

Included in deposits from customers are deposits of RM525.0 million (2020: RM521.3 million) held as collateral for financing and advances.

(ii) The deposits are sourced from the following type of customers:

	2021 RM'000	2020 RM'000
Government and statutory bodies	4,429,701	3,024,183
Business enterprises	27,148,886	21,496,027
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:

	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

18. INVESTMENT ACCOUNTS OF CUSTOMERS

	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

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

The investments accounts are sourced from the following type of customers:

	2021 RM'000	2020 RM'000
Business enterprises	68,200	170,926
Individuals	26,634	37,800
	94,834	208,726

(a) Movements in the investment accounts are as follows:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2019	18,643	334,808
Funding (outflows)/inflows		
New placements during the financial year	-	713,572
Redemptions/withdrawals during the financial year	(2,565)	(864,499)
Income from investment (Note 29(b))	541	11,341
Bank's share of profit		
Profit distributed to mudarib	(532)	(2,583)
As at 31 March 2020/1 April 2020	16,087	192,639
Funding (outflows)/inflows		
New placements during the financial year	-	616,993
Redemptions/withdrawals during the financial year	2,246	(736,697)
Income from investment (Note 29(b))	331	6,135
Bank's share of profit		
Profit distributed to mudarib	(322)	(2,578)
As at 31 March 2021	18,342	76,492

Investment asset:

	Wakalah RM'000	Mudarabah RM'000
2020		
Interbank placement	16,087	-
House financing	-	192,639
Total investment	16,087	192,639
2021		
Interbank placement	18,342	-
House financing	-	76,492
Total investment	18,342	76,492

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(b) Average Profit Sharing Ratio, Average Rate of Return and Average Performance Incentive Fee for the investment accounts based on original contractual maturity are as follows:

	Investment account holder		
	Average profit sharing ratio (%)	**Average rate of return (%)**	**Average performance incentive fee (%)**
2021			
Maturity:			
- less than 3 months	52.46	1.79	1.89
- between 3 to 12 months	66.13	2.73	-
2020			
Maturity:			
- less than 3 months	75.03	3.12	2.99
- between 3 to 12 months	82.09	3.77	-

(c) Maturity structure of investment accounts are as follows:

	2021 RM'000	**2020 RM'000**
Unrestricted investment accounts:		
- without maturity	18,342	16,087
- with maturity		
Due within six months	76,492	192,639
	94,834	208,726

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	**2021 RM'000**	**2020 RM'000**
Non-Mudarabah			
Licensed Islamic banks		847,028	399,390
Licensed banks	(a)	826,543	921,876
Licensed investment banks		139,552	480,845
Other financial institutions		1,374,710	1,729,954
Bank Negara Malaysia		29,531	9,510
		3,217,364	3,541,575

(a) Included in the deposit and placements of licensed banks is RM77.2 million of interbank placement from AmBank at below market rate with six-year (6) to eight and half year (8.5) maturities. This placement was part of the fund received by AmBank under the government financing scheme for COVID-19 relief measures, for the purpose of lending to SME at below market rate.

As a result, RM19.0 million of fair value gain arising from the difference between the concession rates received and market rates and its unwinding amount for the financial period of RM1.1 million was recognised as income attributable to deposits and placements of banks and other financial institutions in the current year as disclosed in Note 35.

20. INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	Note	2021 RM'000	2020 RM'000
Restricted investment account ("RA")			
- Mudarabah Muqayyadah	(a)	718,034	718,005

Note:

(a) The RA contract 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 the Bank 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.

As at 31 March 2021, ECL allowance for the investment asset borne by AmBank amounted to RM1.9 million (2020: RM2.3 million).

As at 31 March 2021, the tenure of the RA contracts is for a period of 1 year to 9 years (2020: 2 years to 10 years).

(b) Movements in the investment accounts are as follows:

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	718,005	1,465,539
Funding inflows/(outflows)		
New placements during the financial year	-	210,015
Disbursement/(redemptions) during the financial year, net*	29	(957,543)
Income attributable to investment account holders (Note 36)	(23,046)	(59,675)
Income from investment (Note 29(a))	25,607	67,361
Bank's share of profit		
Profit distributed to mudarib	(2,561)	(7,692)
Balance at end of the financial year	718,034	718,005
Investment asset:		
Financing	718,034	718,005
Total investment	718,034	718,005

* Amounts are inclusive of additional placements for existing contract of RM0.8 million (2020: RM74.3 million).

20. INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

(c) Average Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	Investment account holder			
	2021	**2020**	**2021**	**2020**
	Average profit sharing ratio (%)	**Average profit sharing ratio (%)**	**Average rate of return (%)**	**Average rate of return (%)**
Maturity :				
- between 1 year to 2 years	-	-	-	-
- over 2 years to 5 years	90	89	2.94	4.04
- more than 5 years	90	90	3.91	3.76

21. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on financing sold to Cagamas Berhad represents the proceeds received from the Bank's financing sold directly to Cagamas Berhad with recourse. Under this arrangement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing, which are regarded as defective based on prudential criteria with recourse to the Bank.

22. TERM FUNDING

	Note	2021 RM'000	2020 RM'000
Senior Sukuk	(a)	1,000,000	1,000,000
Structured Product	(b)	34,766	34,697
		1,034,766	1,034,697

(a) Senior Sukuk

The movements in Senior Sukuk are as follows:

	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
Repayment during the financial year	-	(1,000,000)
Balance at end of the financial year	1,000,000	1,000,000

22. TERM FUNDING (CONT'D.)

(a) Senior Sukuk (Cont'd.)

In the financial year ended 31 March 2011, the Bank 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 5 which amounted to RM200.0 million was issued on 27 March 2020. This tranche bears profit rate of 3.55% per annum payable semi-annually and has a tenor of two (2) years.

- Tranche 6 which amounted to RM800.0 million was issued on 27 March 2020. This tranche bears profit rate of 4.10% per annum payable semi-annually and has a tenor of five (5) years.

(b) Structured product

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	34,697	80,000
Amortisation of premium/(accretion of discount)	69	(303)
Net repayment during the financial year	-	(45,000)
Balance at end of the financial year	34,766	34,697

This includes non-principal guaranteed deposit placed by customers and structured products that are only principal guaranteed on maturity. The structured products include investment products with an embedded derivative where the embedded derivative is normally linked to the performance of an underlying asset such as profit rates, equities, commodities and foreign currency rates. Upon maturity, the customer will receive either cash payment or pre-determined units of the underlying asset. The structured products will mature within 3 years to 4 years (2020: 4 years to 5 years).

23. SUBORDINATED SUKUK

	Note	2021 RM'000	2020 RM'000
Sukuk Murabahah	(a)	1,300,000	1,150,000
		1,300,000	1,150,000

23. SUBORDINATED SUKUK (CONT'D.)

(a) The movements in Subordinated Sukuk Murabahah are as follows:

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	1,150,000	1,150,000
Issuance during the financial year	400,000	-
Repayment during the financial year	(250,000)	-
Balance at end of the financial year	1,300,000	1,150,000

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, the Bank implemented a Subordinated Sukuk Murabahah programme of RM3.0 billion ("Sukuk Murabahah"). The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the Bank'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 BNM, and the securities issued under this programme qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

The programme has a tenure of thirty (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 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. 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 and has a tenor of ten (10) years. 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 and has a tenor of ten (10) years.

- 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 and has a tenor of ten (10) years.

- 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 and has a tenor of ten (10) years.

- 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 and has a tenor of ten (10) years.

- 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 and has a tenor of ten (10) years.

24. DEFERRED TAX ASSETS/(LIABILITIES)

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	(7,884)	(5,360)
Recognised in statement of profit or loss (Note 41)	70,010	3,314
Recognised in other comprehensive income	679	(5,838)
Balance at end of the financial year	62,805	(7,884)

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:

	2021 RM'000	2020 RM'000
Deferred tax assets/(liabilities)	62,805	(7,884)

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

	2021 RM'000	2020 RM'000
Deferred tax assets	91,527	18,387
Deferred tax liabilities	(28,722)	(26,271)
	62,805	(7,884)

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

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

	Balance at beginning of the financial year RM'000	Recognised in statement of profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Deferred tax assets				
2021				
Allowances for ECL	10,118	60,047	-	70,165
Provision for expenses	5,066	(1,588)	-	3,478
Deferred income	3,203	1,356	-	4,559
Other temporary differences	-	13,325	-	13,325
	18,387	73,140	-	91,527
2020				
Allowances for ECL	3,067	7,051	-	10,118
Provision for expenses	7,783	(2,717)	-	5,066
Deferred income	3,496	(293)	-	3,203
	14,346	4,041	-	18,387
Deferred tax liabilities				
2021				
Excess of capital allowance over depreciation	(84)	(175)	-	(259)
Deferred charges	(14,623)	(2,955)	-	(17,578)
Fair value reserve	(11,564)	-	679	(10,885)
	(26,271)	(3,130)	679	(28,722)
2020				
Excess of capital allowance over depreciation	(198)	114	-	(84)
Deferred charges	(13,377)	(1,246)	-	(14,623)
Other temporary differences	(405)	405	-	-
Fair value reserve	(5,726)	-	(5,838)	(11,564)
	(19,706)	(727)	(5,838)	(26,271)

25. OTHER LIABILITIES

	Note	2021 RM'000	2020 RM'000
Profit payable		135,733	153,819
Other creditors and accruals		58,657	346,511
Lease liabilities	(a)	2,341	2,704
Provision for reinstatement of leased properties	(b)	81	79
Deferred income		18,997	13,344
Advance rentals		10,736	9,508
Amount due to related companies		45,474	-
Provision for commitments and contingencies	(c)	300	5,500
Allowances for ECL on financing commitments and financial guarantees	(d)	15,831	18,269
		288,150	549,734

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

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	2,704	241
Addition	-	2,583
Remeasurement	(109)	-
Finance cost charged (Note 37)	74	26
Payment of lease liabilities	(328)	(146)
Balance at end of the financial year	2,341	2,704

The weighted-average incremental financing 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 Bank applied the practical expedient described in Note 2.4c Leases for the current financial year end amounted to approximately RM1,000 (2020: RM1,000) for low-value assets. There was no lease with contract term of less than 12 months.

25. OTHER LIABILITIES (CONT'D.)

(a) The movements in lease liabilities are as follows (Cont'd.):

Lease liabilities analysed by undiscounted contractual payments are as follows:

	2021 RM'000	2020 RM'000
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 in provision for reinstatement of leased properties are as follows:

	2021 RM'000	2020 RM'000
Balance at the beginning of the financial year	79	30
Additions	-	48
Finance cost charged (Note 37)	2	1
At end of the financial year	81	79

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

	2021 RM'000	2020 RM'000
Balance at beginning of the financial year	5,500	15,724
Reversal of provision*	(5,200)	(10,224)
Balance at end of the financial year	300	5,500

* During the current financial year, the Bank reversed RM5.2 million relating to the provision for estimated expenditure in respect of the Bank's obligations to repurchase financing due to expiry of the repurchase obligations.

In the previous financial year, on 30 August 2019, the Bank 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 the Bank's liabilities for repurchase of financing. RM10.2 million provision was reversed in the previous financial year in relation to the Supplemental SPA.

25. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees which reflect the ECL model on impairment 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 allowance for/ (writeback of) ECL (Note 34):	1,539	(1,502)	(5)	32
- Transfer to Stage 1	234	(2,018)	-	(1,784)
- Transfer to Stage 2	(511)	2,384	-	1,873
- Transfer to 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)
Changes in model assumptions and methodologies	2,969	892	-	3,861
Financial exposures derecognised	(3,366)	(1,164)	-	(4,530)
Foreign exchange difference	7	-	-	7
Balance at end of the financial year	11,681	6,581	7	18,269

25. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on financing commitments and financial guarantees which reflect the ECL model on impairment are as follows: (Cont'd.)

	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 allowance for/ (writeback of) ECL (Note 34):	(2,667)	226	8	(2,433)
- Transfer to Stage 1	326	(2,131)	-	(1,805)
- Transfer to Stage 2	(468)	2,315	-	1,847
- Transfer to Stage 3	(25)	(46)	70	(1)
New exposures originated	3,875	2,719	8	6,602
Net remeasurement of allowances	450	(461)	(70)	(81)
Changes in model assumptions and methodologies	(2,969)	(892)	-	(3,861)
Financial exposures derecognised	(3,856)	(1,278)	-	(5,134)
Foreign exchange difference	(2)	(3)	-	(5)
Balance at end of the financial year	9,012	6,804	15	15,831

The movements in allowances for ECL during the current financial year are mainly contributed

(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.

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021 Units'000	2020 Units'000	2021 RM'000	2020 RM'000
Issued and fully paid:				
Balance at beginning and end of the financial year	494,369	494,369	1,387,107	1,387,107

27. RESERVES

	Note	2021 RM'000	2020 RM'000
Regulatory reserve	(a)	-	71,612
Fair value reserve	(b)	43,972	56,249
Retained earnings	(c)	2,341,323	2,148,410
		2,385,295	2,276,271

(a) Regulatory reserve is maintained in accordance with BNM's Policy Document on Classification and Impairment Provisions for Financing 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 Bank 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) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

28. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	2021 RM'000	2020 RM'000
<u>Finance income and hibah:</u>		
Financing and advances:		
- Financing income*	1,200,652	1,325,721
- Financing income on impaired financing	4,465	1,438
Financial assets at fair value through profit or loss	47,001	76,521
Financial investments at fair value through other comprehensive income	177,199	167,744
Financial investments at amortised cost	68,646	69,369
Deposits and placements with banks and other financial institutions	63,134	49,640
Others	7	-
Total finance income and hibah	1,561,104	1,690,433
<u>Other operating income:</u>		
Fee and commission income:		
- Brokerage fees, commission and rebates	42	-
- Fees on financing, advances and securities	31,704	48,385
- Guarantee fees	13,760	13,867
- Remittances	97	142
- Service charges and fees	2,715	2,260
- Others	3,607	6,102
(Loss)/gain on foreign exchange	(2,661)	8,656
Gain on disposal of financial assets at fair value through profit or loss	16,023	14,085
(Loss)/gain on revaluation of financial assets at fair value through profit or loss	(705)	316
Gain on disposal of financial investments at fair value through other comprehensive income	1,844	9,660
Loss on derivatives	(6,865)	(5,699)
Others	60	73
Total other operating income	59,621	97,847
Total	1,620,725	1,788,280

* Included the net loss of RM63,084,000 arising from government support measures implemented in response to COVID-19 pandemic.

29. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Note	2021 RM'000	2020 RM'000
Income derived from investment of:			
Restricted investment account	(a)	25,607	67,361
Unrestricted investment accounts	(b)	6,466	11,882
		32,073	79,243

(a) Income derived from investment of restricted investment account

Finance income and hibah:		
Financing and advances:		
- Financing income (Note 20 (b))	25,607	67,361
Total finance income and hibah	25,607	67,361

(b) Income derived from investment of unrestricted investment accounts

Finance income and hibah:		
Financing and advances:		
- Financing income	6,135	11,341
Deposits and placements with banks and other financial institutions	331	541
Total finance income and hibah	6,466	11,882

30. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2021 RM'000	2020 RM'000
Finance income and hibah:		
Financing and advances:		
- Financing income*	111,068	132,713
- Financing income on impaired financing	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 banks and other financial institutions	5,840	4,969
Total finance income and hibah	144,411	169,223
Other operating income:		
Fee and commission income:		
- Bancassurance commission	11,532	8,850
- Brokerage fees, commission and rebates	4	-
- Fees on financing, advances and securities	2,958	4,936
- Guarantee fees	1,273	1,388
- Remittances	376	553
- Service charges and fees	2,797	2,970
- Others	5,066	2,970
(Loss)/gain on foreign exchange	(246)	866
Gain on disposal of financial assets at fair value through profit or loss	1,482	1,410
(Loss)/gain on revaluation of financial assets at fair value through profit or loss	(65)	32
Gain on disposal of financial investments at fair value through other comprehensive income	171	967
Loss on derivatives	(635)	(570)
Others	6	7
Total other operating income	24,719	24,379
Total	169,130	193,602

* Included the net loss of RM5,836,000 arising from government support measures implemented in response to COVID-19 pandemic.

31. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	2021 RM'000	2020 RM'000
Allowance for impairment on financing and advances (Note 11 (j))	615,506	236,362
Impaired financing and advances recovered, net	(99,642)	(80,070)
Total	515,864	156,292

32. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	2021 RM'000	2020 RM'000
Financial investments at amortised cost - sukuk (Note 10)	240	(24)
Financial investments at fair value through other comprehensive income - sukuk (Note 9)	(10,838)	(1,386)
Total	(10,598)	(1,410)

33. IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

	2021 RM'000	2020 RM'000
Cash and short-term funds (Note 6)	49	19

34. (WRITEBACK OF PROVISION)/PROVISION FOR COMMITMENTS AND CONTINGENCIES

	2021 RM'000	2020 RM'000
(Writeback of)/allowances for ECL on financial commitments and financial guarantee contracts (Note 25(d))	(2,433)	32

35. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Note	2021 RM'000	2020 RM'000
Non-Mudarabah fund			
Deposits from customers		714,978	893,967
Deposits and placements of banks and other financial institutions	(a)	44,125	91,280
		759,103	985,247
Others		21,205	24,399
Total		780,308	1,009,646

(a) 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 and its unwinding amount for the financial year of RM1.1 million, as disclosed in Note 19.

36. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	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

37. OTHER OPERATING EXPENSES

	2021 RM'000	2020 RM'000
Personnel costs:		
- Salaries, allowances and bonuses	15,900	18,424
- Amortisation for shares granted under AMMB ESS - charge	1,726	956
- Contributions to EPF/Private Retirement Scheme	2,560	2,990
- Social security cost	79	79
- Others	1,607	1,465
	21,872	23,914
Establishment costs:		
- Amortisation of intangible assets (Note 16)	379	369
- Cleaning, maintenance and security	51	35
- Computerisation costs	1,583	1,519
- Depreciation of property and equipment (Note 14)	128	128
- Depreciation of right-of-use assets (Note 15)	299	143
- Rental of premises	764	782
- Finance costs:		
- Lease liabilities (Note 25(a))	74	26
- Provision for reinstatement of leased properties (Note 25(b))	2	1
- Others	20	23
	3,300	3,026
Marketing and communication expenses:		
- Communication, advertising and marketing expenses	5,738	4,605
- Others	72	115
	5,810	4,720
Administration and general expenses:		
- Professional services	3,907	4,651
- Others	4,781	7,077
	8,688	11,728
Service transfer pricing expenses (net)	255,908	263,957
	295,578	307,345

37. OTHER OPERATING EXPENSES (CONT'D.)

Included in other operating expenses are the following:

	2021 RM'000	2020 RM'000
Auditors' remuneration		
- Audit	556	512
- Regulatory and assurance related	69	155
- Other services	364	385

38. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

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

2021	Salary RM'000	Fees RM'000	Bonus** RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer						
Eqhwan Mokhzanee bin Muhammad	1,080	-	492	401	5	1,978
Non-Executive Directors:						
Ybhg Dato' Sri Abdul Hamidy Abdul Hafiz	-	160	-	302	2	464
Hajjah Rosmah Ismail	-	150	-	113	3	266
Puan Farina Farikhullah Khan	-	150	-	113	2	265
Encik Azlan Baqee Abdullah	-	150	-	113	2	265
Dr Mohd Nordin Mohd Zain	-	150	-	115	2	267
Ms Foong Pik Yee	-	150	-	105	5	260
	-	910	-	861	16	1,787
Total remuneration	1,080	910	492	1,262	21	3,765

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

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors of the Bank are as follows (Cont'd.):

2020	Salary RM'000	Fees RM'000	Bonus** RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer						
Eqhwan Mokhzanee bin Muhammad	924	-	408	251	7	1,590
Non-Executive Directors:						
Ybhg Dato' Sri Abdul Hamidy Abdul Hafiz	-	160	-	300	2	462
Hajjah Rosmah Ismail	-	150	-	110	7	267
Puan Farina Farikhullah Khan	-	150	-	105	4	259
Encik Azlan Baqee Abdullah	-	150	-	108	4	262
Dr Mohd Nordin Mohd Zain	-	150	-	108	3	261
Ms Foong Pik Yee*	-	52	-	31	3	86
	-	812	-	762	23	1,597
Total remuneration	924	812	408	1,013	30	3,187

* Appointed on 25 November 2019
** Relates to bonus received for the services rendered in the preceding year.

39. SHARIAH COMMITTEE MEMBERS' REMUNERATION

The total remuneration of the Shariah Committee members of the Bank are as follows:

	Fees RM'000	Allowances RM'000	Total RM'000
2021			
Asst. Prof. Dr. Tajul Aris Ahmad Bustami	43	8	51
Prof. Dr. Amir Husin Mohd Nor	35	6	41
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman	35	7	42
Assoc. Prof. Dr. Adnan Yusoff	35	7	42
Dr. Asmak Ab Rahman	35	6	41
Dr. Ahmad Zaki Bin Salleh	35	7	42
	218	41	259
2020			
Asst. Prof. Dr. Tajul Aris Ahmad Bustami	43	8	51
Prof. Dr. Amir Husin Mohd Nor	35	5	40
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman	35	6	41
Assoc. Prof. Dr. Adnan Yusoff	35	6	41
Dr. Asmak Ab Rahman	35	6	41
Dr. Ahmad Zaki Bin Salleh*	26	5	31
	209	36	245

* Joined on 1 July 2019

40. FINANCE COSTS

Finance costs are mainly in respect of income attributable to investors of the Subordinated Sukuk and Senior Sukuk programmes.

41. TAXATION

Taxation consists of the following:

	2021 RM'000	2020 RM'000
Current tax:		
- Estimated tax payable	65,467	93,358
- Under/(over) provision in prior financial year	80	(5,380)
	65,547	87,978
Deferred tax (Note 24):		
- Origination and reversal of temporary differences	(70,007)	(1,957)
- Overprovision in prior financial year	(3)	(1,357)
	(70,010)	(3,314)
Taxation	(4,463)	84,664

Domestic income tax is calculated at the statutory tax rate of 24% (2020: 24%) 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% (2020: 24%).

A reconciliation of taxation applicable to profit before zakat and taxation at the statutory tax rate to taxation at the effective tax rate of the Bank is as follows:

	2021 RM'000	2020 RM'000
Profit before zakat and taxation	117,856	421,479
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	28,285	101,155
Income not subject to tax	(33,165)	(9,871)
Expenses not deductible for tax purposes	527	367
Tax recoverable recognised on income subject to tax remission	(187)	(250)
Under/(over) provision of current tax in prior financial year	80	(5,380)
Overprovision of deferred tax in prior financial year	(3)	(1,357)
Taxation for the financial year	(4,463)	84,664

42. BASIC/DILUTED EARNINGS PER SHARE

	2021	2020
Net profit attributable to equity holder of the Bank (RM'000)	121,301	333,788
Number of ordinary shares ('000)	494,369	494,369
Basic/diluted earnings per share (sen)	24.54	67.52

43. DIVIDENDS

	2021 RM’000	2020 RM’000
In respect of financial year ended 31 March 2020:		
Interim single-tier dividend of 10.0 sen per share	-	49,437
In respect of financial year ended 31 March 2019:		
Final single-tier dividend of 33.0 sen per share	-	163,142
	-	212,579

The Directors propose the payment of a final single-tier-dividend of 7.5 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM37.1 million in respect of the current financial year ended 31 March 2021. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2022.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions or if one party controls both parties.

The related parties of the Bank are:

(i) Related companies

These are the holding company and subsidiaries of the holding company.

(ii) Key management personnel ("KMP")

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. The key management personnel of the Bank includes the Chief Executive Officer and Non-Executive Directors of the Bank and the holding company (including close members of their families).

(iii) Associates and joint ventures of the holding company ("Associate and joint ventures")

Associates of the holding company is AmFirst REIT.

The joint ventures of the holding company are AmMetlife Takaful Berhad and AmMetLife Insurance Berhad.

(iv) Companies in which certain KMP have substantial financial interest

These are entities in which significant voting power in such entities; directly or indirectly resides with certain KMP of the Bank and the holding company.

(v) Companies which have significant influence over the holding company

These are entities who are substantial shareholders (including its related parties) of the holding company of the Bank.

In the financial year ended 31 March 2019, the Bank disposed non-performing financing to Aiqon Islamic Sdn Bhd ("Aiqon Islamic") which is a subsidiary of Aiqon Capital Sdn Bhd ("Aiqon Capital"). Aiqon Capital is jointly controlled by a company that is controlled by the Group Executive Chairman/Chief Executive Officer of Aiqon Capital who is a close family member of a director and major shareholder of AMMB. The disposal had generated a gain on disposal (after which deducting incidental costs of disposal) amounted RM80.9 million which has been accounted for under impaired financing and advances recovered in the statement of profit or loss. In the previous financial year, arising from a Supplemental SPA entered into with Aiqon Islamic, the Bank had written back to the profit or loss (under impaired financing and advances recovered in Note 31) provision for estimated expenditure of RM10.2 million relating to the Bank's obligations to repurchase financing sold. During the current financial year, the Bank reversed RM5.2 million relating to the provision for estimated expenditure in respect of the Bank's obligations to repurchase financing due to expiry of the repurchase obligation.

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

(a) In addition to the transactions detailed elsewhere in the financial statements, the Bank had the following transactions with related parties during the financial year:

	Related companies		Key management personnel		Companies which certain KMP have substantial financial interest		Associates and joint ventures	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income								
Profit on financing and advances	-	7	9	78	2,142	1,370	-	-
Fee income	-	-	32	-	-	95	-	-
Bancassurance commission	7	68	-	-	-	-	2,396	2,127
Gain on derivatives	3,000	-	-	-	-	-	-	-
Foreign exchange gain	4,477	-	-	-	-	-	-	-
	7,484	75	41	78	2,142	1,465	2,396	2,127
Expenses								
Insurance premium	-	11	-	-	-	-	719	466
Other staff benefit	-	-	-	-	4	4	-	-
Profit on deposits	(2,930) *	9,813	227	83	847	226	105	78
Profit on restricted investment account	23,046	59,675	-	-	-	-	-	-
Service transfer pricing expense, net	255,908	263,957	-	-	-	-	-	-
Travelling expenses	-	-	-	-	2	42	-	-
Profit expense on derivatives	6,577	111	-	-	-	-	-	-
Rental expenses	802	853	-	-	-	-	-	-
Loss on derivatives	-	11,588	-	-	-	-	-	-
Foreign exchange loss	-	33,073	-	-	-	-	-	-
	283,403	379,081	227	83	853	272	824	544

* Included fair value gain of RM19.0 million arising from the differential between the concession rates received and market rates of the placements made by AmBank and its unwinding amount for the financial year of RM1.1 million (Note 35).

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

(b) In addition to the transactions detailed elsewhere in the financial statements, the Bank had the following transactions with related parties during the financial year (Cont'd.):

	Related companies		Key management personnel		Companies which certain KMP have substantial financial interest		Associates and joint ventures	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets								
Derivative financial assets	35,822	13,438	-	-	-	-	-	-
Financing and advances	-	-	2,151	2,414	35,506	150,253	-	-
Other receivables	-	77,111	-	-	-	-	-	3
Profit receivables	-	14	-	-	-	-	-	-
	35,822	90,563	2,151	2,414	35,506	150,253	-	3
Liabilities								
Deposits and placements	963,255	622,225	14,144	9,740	20,142	200,243	25,195	15,676
Derivative financial liabilities	35,775	71,991	-	-	-	-	-	-
Investment account due to a licensed bank	718,034	718,005	-	-	-	-	-	-
Other payables	45,474	-	-	-	-	-	-	-
Profit payables	1,955	2,990	-	-	-	-	-	-
	1,764,493	1,415,211	14,144	9,740	20,142	200,243	25,195	15,676
Commitments and contingencies								
Commitments	-	-	-	-	114,500	-	-	-
Contingent liabilities	5,000	5,000	-	-	-	-	-	-
Contract/notional amount for derivatives	2,831,888	2,798,010	-	-	-	-	-	-
	2,836,888	2,803,010	-	-	114,500	-	-	-

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

(c) The transactions between the Bank and related parties took place at terms agreed between the parties during the financial year.

(d) Key management personnel compensation

The remuneration of the Chief Executive Officer and the Directors, who are also the key management personnel, during the year is disclosed in Note 38.

(e) The Bank incurs intercompany charges for shared operating costs of the AMMB Group in Malaysia as disclosed under Service Transfer Pricing expenses, net. The services received relate to expenses incurred for business segment (wholesale, business banking and retail banking) group shared services in respect of information services, internal audit, risk management, finance, human resource, marketing and communications, legal, company secretarial, group operations, property and administration and compliance.

(f) There were no granting of financing to the Directors of the Bank other than in the normal course of business of the Bank. Financing made to Directors and other key management personnel of the Bank are on similar terms and conditions generally available to other employees within the Bank. No provisions have been recognised in respect of financing given to Directors and key management personnel.

45. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2021	**2020**
Outstanding credit exposures with connected parties (RM'000)	1,637,052	1,417,058
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.07	3.90
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	0.00	0.00

45. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

The disclosure on Credit Transaction 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 for Islamic Banks issued on 16 July 2014.

Based on these guidelines, a connected party refers to the following:

(i) directors of the Bank 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 Bank, 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 Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed include the extension of credit facility 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.

46. CAPITAL COMMITMENTS

The Bank has no capital commitments as at 31 March 2021 and 31 March 2020.

47. COMMITMENTS AND CONTINGENCIES

(a) On 9 December 2019, the Bank and AMMB were served with a writ and statement of claim by Dato' Sri Mohd Najib bin Hj. Abd. Razak ("Plaintiff") seeking damages in relation to the conduct of his current accounts opened with the Bank.

The Bank and AMMB have appointed solicitors to defend the suit and have been advised by solicitors that the allegations are not sustainable and both AMMB and the Bank have a strong defense. The Bank and AMMB will vigorously oppose the action. The suit will not have a material impact on the operations of the Bank.

On 28 September 2020, the High Court struck out the Plaintiff's suit against the Bank and AMMB. The Plaintiff has filed an appeal against the High Court's decision. The Record of Appeal has been filed, Court of Appeal has fixed on 3 August 2021 for hearing.

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(b) In the normal course of business, the Bank makes various commitments and incurs 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 Bank's assets.

The principal amounts of the commitments and contingencies and notional contracted amounts of derivatives of the Bank are as follows:

	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
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	595,233	408,285
Unutilised credit card lines	1,389,410	1,354,936
Forward asset purchase	237,329	159,934
	8,174,671	6,914,848
Contingencies		
Direct credit substitutes	573,954	570,619
Transaction related contingent items	862,352	751,997
Short-term self liquidating trade-related contingencies	43,131	80,958
	1,479,437	1,403,574
Derivative financial instruments		
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
Profit rate related contracts:		
- Over one year to five years	350,000	350,000
Commodity related contracts:		
- Over one year to five years	70,332	73,217
	5,087,993	5,169,370
Total	14,742,101	13,487,792

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows assets and liabilities analysed according to when they are expected to be recovered or settled.

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2021			
ASSETS			
Cash and short-term funds	9,398,808	-	9,398,808
Derivative financial assets	27,033	22,634	49,667
Financial assets at fair value through profit or loss	2,203,126	68,541	2,271,667
Financial investments at fair value through other comprehensive income	1,268,135	2,827,000	4,095,135
Financial investments at amortised cost	39,963	1,352,192	1,392,155
Financing and advances	9,490,282	25,899,235	35,389,517
Statutory deposit with Bank Negara Malaysia	-	113,000	113,000
Deferred tax asset	-	62,805	62,805
Other assets	180,724	69,778	250,502
Property and equipment	-	440	440
Right-of-use assets	-	2,351	2,351
Intangible assets	-	718	718
TOTAL ASSETS	22,608,071	30,418,694	53,026,765
LIABILITIES			
Deposits from customers	41,107,850	624,661	41,732,511
Investment accounts of customers	94,834	-	94,834
Deposits and placements of banks and other financial institutions	3,128,556	88,808	3,217,364
Investment account due to a licensed bank	-	718,034	718,034
Recourse obligation on financing sold to Cagamas Berhad	800,000	-	800,000
Derivative financial liabilities	26,374	41,377	67,751
Term funding	200,000	834,766	1,034,766
Subordinated Sukuk	-	1,300,000	1,300,000
Other liabilities	242,472	45,678	288,150
Provision for zakat	953	-	953
TOTAL LIABILITIES	45,601,039	3,653,324	49,254,363

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
2020			
ASSETS			
Cash and short-term funds	5,923,761	-	5,923,761
Derivative financial assets	34,285	25,368	59,653
Financial assets at fair value through profit or loss	1,610,747	139,503	1,750,250
Financial investments at fair value through other comprehensive income	1,421,603	3,475,091	4,896,694
Financial investments at amortised cost	296,297	1,392,785	1,689,082
Financing and advances	10,255,260	21,651,537	31,906,797
Statutory deposit with Bank Negara Malaysia	-	147,000	147,000
Other assets	202,454	52,670	255,124
Property and equipment	-	481	481
Right-of-use assets	-	2,759	2,759
Intangible assets	-	1,034	1,034
TOTAL ASSETS	19,744,407	26,888,228	46,632,635
LIABILITIES			
Deposits from customers	33,513,708	1,158,422	34,672,130
Investment accounts of customers	208,726	-	208,726
Deposits and placements of banks and other financial institutions	3,532,765	8,810	3,541,575
Investment account due to a licensed bank	-	718,005	718,005
Recourse obligation on financing sold to Cagamas Berhad	1,000,000	-	1,000,000
Derivative financial liabilities	33,724	50,141	83,865
Term funding	-	1,034,697	1,034,697
Subordinated Sukuk	-	1,150,000	1,150,000
Deferred tax liabilities	-	7,884	7,884
Other liabilities	517,190	32,544	549,734
Provision for zakat	2,641	-	2,641
TOTAL LIABILITIES	38,808,754	4,160,503	42,969,257

49. CAPITAL MANAGEMENT

The Bank’s capital management approach is focused on maintaining a strong capital position that supports the Bank's strategic objectives and risk appetite. In line with the Bank'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 Bank's strategic objectives and stakeholders' expectations.

The Bank 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 Bank’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 Bank and how these events could be mitigated. The Bank’s target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Bank’s assessment of risk appetite is closely integrated with the Bank'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 Bank’s business activities.

The capital that the Bank 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 Bank 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 Bank’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 Bank’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%, but is required to restore the capital conservation buffer after 31 December 2020 and to restore to the minimum regulatory requirement by 30 September 2021.

49. CAPITAL MANAGEMENT (CONT'D.)

On 9 December 2020, BNM issued revised policy document, Capital Adequacy Framework for Islamic Banks (Capital Components). The key addition to the revised policy document is the transitional arrangement for financial institutions on provisions for expected credit loss ("ECL"). Under this revised policy document, 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) Capital adequacy

The capital adequacy ratios of the Bank as at 31 March are as follows:

	2021 (under transitional arrangement Note (i))	2020
Before deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	12.146%	11.165%
Tier 1 Capital Ratio	12.146%	11.165%
Total Capital Ratio	16.661%	15.950%
After deducting proposed dividends:		
Common Equity Tier 1 Capital Ratio	12.038%	11.165%
Tier 1 Capital Ratio	12.038%	11.165%
Total Capital Ratio	16.553%	15.950%

Notes:

(i) The capital adequacy ratios of the Bank as at 31 March 2020 are computed in accordance with BNM's policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Bank has 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 for Islamic Banks (Risk-Weighted Assets).

49. CAPITAL MANAGEMENT (CONT'D.)

(a) Capital adequacy (Cont'd.)

Notes: (cont'd.)

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 by applying transitional arrangement on provision for ECL. Under this transitional arrangement, the Bank is allowed to add back the amount of loss allowance for non credit impaired exposure (ie: stage 1 and stage 2 provision) to CET1 Capital. Had this transitional arrangement not been applied, the capital ratios of the Bank are as follows:

	2021
Before deducting proposed dividends:	
Common Equity Tier 1 Capital Ratio	10.687%
Tier 1 Capital Ratio	10.687%
Total Capital Ratio	15.631%
After deducting proposed dividends:	
Common Equity Tier 1 Capital Ratio	10.580%
Tier 1 Capital Ratio	10.580%
Total Capital Ratio	15.523%

(ii) Pursuant to BNM's 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. The Bank is also required to maintain the following capital buffers:

(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; and
(c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET 1 Capital, Tier 2 Capital and Total Capital of the Bank as at 31 March are as follows:

	2021 RM'000	2020 RM'000
CET 1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	2,341,323	2,148,410
Fair value reserve	43,972	56,249
Regulatory reserve	-	71,612
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(718)	(1,034)
- Deferred tax assets	(62,877)	-
- 55% of cumulative gains of FVOCI financial instruments	(24,185)	(30,937)
- Regulatory reserve	-	(71,612)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(183)	(148)
- Other CET 1 regulatory adjustment specified by BNM	502,728	-
CET1 Capital/Tier 1 Capital	4,187,167	3,559,647
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,300,000	1,150,000
General provision*	256,523	375,600
Tier 2 Capital	1,556,523	1,525,600
Total Capital	5,743,690	5,085,247

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

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

	2021 RM'000	2020 RM'000
Credit RWA	33,139,511	30,960,556
Less : Credit RWA absorbed by Profit Sharing Investment Account	(796,005)	(912,582)
Total Credit RWA	32,343,506	30,047,974
Market RWA	508,561	294,650
Operational RWA	1,622,712	1,539,751
Total RWA	34,474,779	31,882,375

50. RISK MANAGEMENT

50.1 GENERAL RISK MANAGEMENT

Risk Management Framework

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the AMMB Group to set its risk/reward profile.

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the AMMB 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 AMMB Group operates in.

The Risk Appetite Framework provides portfolio limits/triggers for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Technology Risk incorporating, inter alia, limits/triggers for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and Operational Risk Management ("ORM") tools.

The AMMB Group Risk Direction

AMMB Group's FY2021 to FY2024 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.

- The AMMB Group aspires to maintain the financial institution external rating of AA2 based on reference ratings by RAM.

- The AMMB 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 Rating Based ("FIRB").

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT (CONT'D.)

The AMMB Group Risk Direction (Cont'd.)

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

- The AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
    - Liquidity Coverage Ratio ("LCR") (both consolidated and entity level) at least 10 percentage points above prevailing regulatory minimum;
    - Stressed LCR (both consolidated and entity level) above the regulatory requirement; and
    - Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) at the prevailing regulatory minimum (effective from July 2020).

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

- The AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks):
    - Keep operational losses and regulatory penalties below 2% of Profit after Zakat and Taxation ("PAZT").
    - Remain vigilant in risk identification and management to protect its reputation and business franchise.

Risk Management Governance

The AMMB Board is ultimately accountable for the management of risks within the AMMB Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk, liquidity risk, credit risk and operational risk and IT and Cyber risk.

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT (CONT'D.)

Risk Management Governance (Cont'd.)

The AMMB Board has also established Management Committees to assist it in managing the risks and businesses of the AMMB 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 AMMB 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 AMMB Group to ensure that risk-taking activities across the AMMB Group are aligned to the AMMB Group's risk appetite and strategies; and
- through the AMMB Group RMC, has access to the Board and the Boards of the respective banking entities within AMMB Group to facilitate suitable escalation of issues of concern across the organisation.

Impact of COVID-19 pandemic

Risk management is an integral part of the AMMB Group's culture and is embedded within its business, operations and decision making processes. AMMB 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.

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT (CONT'D.)

Impact of COVID-19 (Cont'd.)

AMMB 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 AMMB Group is continuously proactively engaging customers to manage the portfolio with close monitoring of the portfolio health carried out.

The Bank has been continuously engaging our SME customers through multiple channels and have been encouraging them to reach out to the Bank 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 Bank and includes:

1) Reduction of repayment commitments:
   a. Step-up repayment whilst maintaining the tenure; and
   b. Extension of tenure

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

A review of vulnerable segments (e.g. tourism, restaurants, 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 pandemic to ensure significant areas of risks are covered by reviewing the portfolio credit quality, enhancing policies and controls.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT

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

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits • Non-Retail Pricing and Risk based pricing for Retail • Collateral and tailored facility structures (discretionary lending) • Pre-set assessment criteria and acceptance criteria (program lending)
Monitoring/ Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Account • 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 financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/or positions as well as Shariah compliance risk (please refer to Note 50.9 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 Risk Appetite Framework ("GRAF") and related credit policies.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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 Bank's 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 Bank’s 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 customers 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;
- financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

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 Bank’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 Financing to Value limits for asset backed financing;
- Non-Retail Credit Policy ("NRCP"), which sets out the credit principles and requirements 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 financing; and
- Setting Retail risk controls capping for exceptional credit approval, to ensure credit approval practice is aligned with the credit policies and GRAF.

50. RISK MANAGEMENT (CONT'D.)

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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Risk Exposure and Concentration

The Bank's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Bank applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised in the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Bank 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 account of any collateral held or other credit enhancements.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis

2021	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	384,577	384,577
Derivative financial assets	-	-	4,488	-	-	114	-	45,061	49,663
Financial assets at fair value through profit or loss									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	-	-	7,834	-	-	74,940	82,774
Total financial assets at fair value through profit or loss	-	-	-	-	7,834	-	-	74,940	82,774
Financial investments at fair value through other comprehensive income									
Money market securities	-	-	-	-	-	-	-	399,386	399,386
Unquoted sukuk	-	366,292	29,358	273,778	390,325	99,741	37,229	648,320	1,845,043
Total financial investments at fair value through other comprehensive income	-	366,292	29,358	273,778	390,325	99,741	37,229	1,047,706	2,244,429
Financial investments at amortised cost									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	-	-	850,900	-	95,162	124,932	1,070,994
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	-	-	-	-	850,900	-	95,162	124,932	1,070,994
Financing and advances									
Hire purchase	60	-	443	-	1,769	464	170	-	2,906
Mortgage	1,014	1,565	1,559	-	4,465	10,129	262	-	18,994
Credit card	-	-	-	-	-	-	-	-	-
Others	7,786	13,571	28,835	1,889	70,494	70,485	18,167	436	211,663
Corporate financing and advances:									
Term financing and bridging financing	905,457	1,238,509	1,898,714	99,138	378,646	1,319,690	1,238,310	8,585	7,087,049
Revolving credits	217,695	16,856	787,622	86,216	341,849	91,858	443,339	1,163,866	3,149,301
Cash lines	67,839	3,709	241,223	64,304	312,217	207,085	66,079	2,487	964,943
Trade	35,122	10,417	1,503,019	21,237	93,907	914,570	148,962	-	2,727,234
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financing and advances	1,234,973	1,284,627	4,461,415	272,784	1,203,347	2,614,281	1,915,289	1,175,374	14,162,090
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Other financial assets	-	1,705	836	2,918	16,032	-	1,039	9,643	32,173
Commitments	1,942,799	121,019	1,012,631	66,490	604,296	650,719	243,278	766,375	5,407,607
Contingencies	409,410	29,392	276,774	37,764	494,344	54,036	38,890	9,481	1,350,091
Total commitments and contingencies	2,352,209	150,411	1,289,405	104,254	1,098,640	704,755	282,168	775,856	6,757,698

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2021	Subtotal from previous page	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Allowances for ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	384,577	9,014,306	-	-	-	-	-	(75)	9,398,808
Derivative financial assets	49,663	-	-	4	-	-	-	-	49,667
Financial assets at fair value through profit or loss									
Money market securities	-	1,698,768	-	-	-	-	-	-	1,698,768
Unquoted sukuk	82,774	475,021	15,104	-	-	-	-	-	572,899
Total financial assets at fair value through profit or loss	82,774	2,173,789	15,104	-	-	-	-	-	2,271,667
Financial investments at fair value through other comprehensive income									
Money market securities	399,386	1,325,806	-	-	-	-	-	-	1,725,192
Unquoted sukuk	1,845,043	199,450	133,184	-	-	-	192,266	-	2,369,943
Total financial investments at fair value through profit or loss	2,244,429	1,525,256	133,184	-	-	-	192,266	-	4,095,135
Financial investments at amortised cost									
Money market securities	-	260,852	-	-	-	-	-	-	260,852
Unquoted sukuk	1,070,994	-	30,000	5,000	-	-	25,832	-	1,131,826
Allowances for ECL	-	-	-	-	-	-	-	(523)	(523)
Total financial investments at amortised cost	1,070,994	260,852	30,000	5,000	-	-	25,832	(523)	1,392,155
Financing and advances									
Hire purchase	2,906	-	-	17,716	255	3,642,764	-	-	3,663,641
Mortgage	18,994	-	7,103	14,042	2,971	9,913,275	-	-	9,956,385
Credit card	-	-	-	-	-	786,636	-	-	786,636
Others	211,663	-	9,730	14,931	5,766	4,480,994	-	-	4,723,084
Corporate financing and advances:									
Term financing and bridging financing	7,087,049	-	1,178,745	361,045	164,095	10,203	-	-	8,801,137
Revolving credits	3,149,301	-	1,159,707	35,381	38,826	-	-	-	4,383,215
Cash lines	964,943	-	67,885	65,879	28,897	20,742	-	-	1,148,346
Trade	2,727,234	-	18,316	9,061	8,137	-	-	-	2,762,748
Allowances for ECL	-	-	-	-	-	-	-	(835,675)	(835,675)
Total financing and advances	14,162,090	-	2,441,486	518,055	248,947	18,854,614	-	(835,675)	35,389,517
Statutory deposit with Bank Negara Malaysia	-	113,000	-	-	-	-	-	-	113,000
Other financial assets	32,173	109,802	15,665	77	-	-	3,538	-	161,255
Commitments	5,407,607	237,329	362,850	139,328	67,587	1,959,970	-	-	8,174,671
Contingencies	1,350,091	-	76,110	44,111	9,125	-	-	-	1,479,437
Total commitments and contingencies	6,757,698	237,329	438,960	183,439	76,712	1,959,970	-	-	9,654,108

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2020 (Restated)	**Agriculture**	**Mining and Quarrying**	**Manufacturing**	**Electricity, Gas and Water**	**Construction**	**Wholesale and Retail Trade and Hotel and Restaurants**	**Transport, Storage and Communication**	**Finance and Insurance**	**Subtotal**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	498,087	498,087
Derivative financial assets	-	-	25,180	-	-	383	-	34,065	59,628
Financial assets at fair value through profit or loss									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	-	5,011	7,746	-	-	15,036	27,793
Total financial assets at fair value through profit or loss	-	-	-	5,011	7,746	-	-	15,036	27,793
Financial investments at fair value through other comprehensive income									
Money market securities	-	-	-	-	-	-	-	299,544	299,544
Unquoted sukuk	15,630	724,745	13,379	258,397	322,462	199,755	47,143	763,445	2,344,956
Total financial investments at fair value through other comprehensive income	15,630	724,745	13,379	258,397	322,462	199,755	47,143	1,062,989	2,644,500
Financial investments at amortised cost									
Money market securities	-	-	-	-	-	-	-	-	-
Unquoted sukuk	-	-	-	-	906,163	-	95,183	124,891	1,126,237
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	-	-	-	-	906,163	-	95,183	124,891	1,126,237
Financing and advances									
Hire purchase	76	-	418	49	568	417	19	47	1,594
Mortgage	1,130	1,584	4,353	-	4,925	11,708	3,937	-	27,637
Credit card	-	-	-	-	-	-	-	-	-
Others	10,014	7,551	31,224	2,040	32,848	91,515	14,258	962	190,412
Corporate financing and advances:									
Term financing and bridging financing	980,691	1,072,471	1,524,721	126,277	320,325	552,532	1,157,677	113,893	5,848,587
Revolving credits	270,478	2,752	752,958	84,630	499,234	90,455	388,148	1,340,209	3,428,864
Cash lines	84,113	1,879	273,825	1,092	350,371	294,074	61,852	56,729	1,123,935
Trade	37,092	11,398	1,298,461	8,201	87,911	782,994	87,504	-	2,313,561
Allowances for ECL	-	-	-	-	-	-	-	-	-
Total financing and advances	1,383,594	1,097,635	3,885,960	222,289	1,296,182	1,823,695	1,713,395	1,511,840	12,934,590
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Other financial assets	160	3,055	200	2,952	15,971	1	1,070	87,311	110,720
Commitments	178,173	38,913	1,267,200	28,618	1,958,652	538,638	365,749	120,071	4,496,014
Contingencies	24,938	38,466	373,644	24,658	660,758	72,894	65,727	8,777	1,269,862
Total commitments and contingencies	203,111	77,379	1,640,844	53,276	2,619,410	611,532	431,476	128,848	5,765,876

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(i) Industry Analysis (Cont'd.)

2020 (Restated)	**Subtotal from previous page**	**Government and Central Banks**	**Real Estate**	**Business Activities**	**Education and Health**	**Household**	**Others**	**Allowances for ECL**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**		**RM'000**
Cash and short-term funds	498,087	5,425,700	-	-	-	-	-	(26)	5,923,761
Derivative financial assets	59,628	-	-	25	-	-	-	-	59,653
Financial assets at fair value through profit or loss									
Money market securities	-	1,637,441	-	-	-	-	-	-	1,637,441
Unquoted sukuk	27,793	85,016	-	-	-	-	-	-	112,809
Total financial assets at fair value through profit or loss	27,793	1,722,457	-	-	-	-	-	-	1,750,250
Financial investments at fair value through other comprehensive income									
Money market securities	299,544	1,301,151	-	-	-	-	-	-	1,600,695
Unquoted sukuk	2,344,956	558,150	199,741	-	-	-	193,152	-	3,295,999
Total financial investments at fair value through other comprehensive income	2,644,500	1,859,301	199,741	-	-	-	193,152	-	4,896,694
Financial investments at amortised cost									
Money market securities	-	260,733	-	-	-	-	-	-	260,733
Unquoted sukuk	1,126,237	241,369	30,000	5,000	-	-	26,026	-	1,428,632
Allowances for ECL	-	-	-	-	-	-	-	(283)	(283)
Total financial investments at amortised cost	1,126,237	502,102	30,000	5,000	-	-	26,026	(283)	1,689,082
Financing and advances									
Hire purchase	1,594	-	-	4,706	385	3,435,917	-	-	3,442,602
Mortgage	27,637	-	7,496	25,901	9,211	7,992,014	-	-	8,062,259
Credit card	-	-	-	97	-	772,784	-	-	772,881
Others	190,412	-	6,905	11,190	9,370	3,099,398	-	-	3,317,275
Corporate financing and advances:									
Term financing and bridging financing	5,848,587	-	926,636	881,556	160,137	17,476	-	-	7,834,392
Revolving credits	3,428,864	-	1,422,712	156,021	84,051	-	-	-	5,091,648
Cash lines	1,123,935	-	106,632	102,081	30,217	15,736	-	-	1,378,601
Trade	2,313,561	-	19,601	35,749	4,706	-	-	-	2,373,617
Allowances for ECL	-	-	-	-	-	-	-	(366,478)	(366,478)
Total financing and advances	12,934,590	-	2,489,982	1,217,301	298,077	15,333,325	-	(366,478)	31,906,797
Statutory deposit with Bank Negara Malaysia	-	147,000	-	-	-	-	-	-	147,000
Other financial assets	110,720	28,076	15,945	79	-	-	3,539	-	158,359
Commitments	4,496,014	159,934	173,325	176,031	172,038	1,737,506	-	-	6,914,848
Contingencies	1,269,862	-	59,941	58,442	15,329	-	-	-	1,403,574
Total commitments and contingencies	5,765,876	159,934	233,266	234,473	187,367	1,737,506	-	-	8,318,422

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(ii) Geographical Analysis

2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	9,274,306	124,577	9,398,883
Less: Allowances for ECL	(61)	(14)	(75)
Total cash and short-term funds	9,274,245	124,563	9,398,808
Derivative financial assets	49,667	-	49,667
Financial assets at fair value through profit or loss			
Money market securities	1,698,768	-	1,698,768
Unquoted sukuk	572,899	-	572,899
Total financial assets at fair value through profit or loss	2,271,667	-	2,271,667
Financial investments at fair value through other comprehensive income			
Money market securities	1,725,192	-	1,725,192
Unquoted sukuk	2,369,943	-	2,369,943
Total financial investments at fair value through other comprehensive income	4,095,135	-	4,095,135
Financial investments at amortised cost			
Money market securities	260,852	-	260,852
Unquoted sukuk	1,131,826	-	1,131,826
Less: Allowances for ECL	(523)	-	(523)
Total financial investments at amortised cost	1,392,155	-	1,392,155
Financing and advances			
Hire purchase	3,663,641	-	3,663,641
Mortgage	9,956,385	-	9,956,385
Credit card	786,636	-	786,636
Others	4,723,084	-	4,723,084
Corporate financing and advances:			
Term financing and bridging financing	8,801,137	-	8,801,137
Revolving credits	4,383,215	-	4,383,215
Cash lines	1,148,346	-	1,148,346
Trade	2,762,748	-	2,762,748
Less: Allowances for ECL	(835,675)	-	(835,675)
Total financing and advances	35,389,517	-	35,389,517
Statutory deposit with Bank Negara Malaysia	113,000	-	113,000
Other financial assets	161,255	-	161,255
Commitments	8,174,671	-	8,174,671
Contingencies	1,479,437	-	1,479,437
Total commitments and contingencies	9,654,108	-	9,654,108

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(ii) Geographical Analysis (Cont'd.)

2020	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,775,700	148,087	5,923,787
Less: Allowances for ECL	-	(26)	(26)
Total cash and short-term funds	5,775,700	148,061	5,923,761
Derivative financial assets	59,653	-	59,653
Financial assets at fair value through profit or loss			
Money market securities	1,637,441	-	1,637,441
Unquoted sukuk	112,809	-	112,809
Total financial assets at fair value through profit or loss	1,750,250	-	1,750,250
Financial investments at fair value through other comprehensive income			
Money market securities	1,600,695	-	1,600,695
Unquoted sukuk	3,295,999	-	3,295,999
Total financial investments at fair value through other comprehensive income	4,896,694	-	4,896,694
Financial investments at amortised cost			
Money market securities	260,733	-	260,733
Unquoted sukuk	1,428,632	-	1,428,632
Less: Allowances for ECL	(283)	-	(283)
Total financial investments at amortised cost	1,689,082	-	1,689,082
Financing and advances			
Hire purchase	3,442,602	-	3,442,602
Mortgage	8,062,259	-	8,062,259
Credit card	772,881	-	772,881
Others	3,317,275	-	3,317,275
Corporate financing and advances:			
Term financing and bridging financing	7,834,392	-	7,834,392
Revolving credits	5,091,648	-	5,091,648
Cash lines	1,378,601	-	1,378,601
Trade	2,373,617	-	2,373,617
Total financing and advances	(366,478)	-	(366,478)
	31,906,797	-	31,906,797
Statutory deposit with Bank Negara Malaysia	147,000	-	147,000
Other financial assets	158,359	-	158,359
Commitments	6,914,848	-	6,914,848
Contingencies	1,403,574	-	1,403,574
Total commitments and contingencies	8,318,422	-	8,318,422

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Collateral taken by the Bank

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

The Bank can only accept Shariah-approved assets as collateral.

The Group Credit Risk Mitigation Collateral 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 Bank has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for financing proposals are an integral component in transaction structuring for the Bank. 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 customer is not recognised for credit risk mitigation purposes.

Use of Credit Derivatives and Netting for Risk Mitigation

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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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 financing, amortisation schedules and 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 financing assets.

Concentrations of Credit Risk Mitigation

The Bank carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Financing to Value metrics.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail financing business are currently aligned to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions appended below.

Description of the Categories for Retail Banking

Risk Grade	Category	PD Range	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 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 track 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 a position to withstand adverse development in view of its favourable employment profile and track record.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

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

Risk Grade	Category	PD Range	Description
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 a position to resolve any shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile with moderate PD of up to 4.1028%. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile with higher PD of up to 8.2931%. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions as generally evidenced by fair repayment track record. • Moderate employment profile and track record.
21 to 24	Substandard	>= 8.2932%	• Substandard credit risk profile with poor PD of >=8.2932%. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record. • Unfavourable employment profile and track record.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

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

Risk Grade	Category	PD Range	Description
99	Impaired	100%	• Classified as impaired as per the prevailing Classified Account Management Policy.

Description of the categories for Non-Retail Banking

Credit Quality Classification	Description
Exceptionally Strong	Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are:- - Exceptionally solid and stable operating and financial performance. Debt servicing capacity has been exceptionally strong over the long term. - All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future. - Highly unlikely to be adversely affected by foreseeable events.
Very Strong	Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are:- - Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. - Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Non-Retail Banking (Cont'd.)

Credit Quality Classification	Description
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:- - Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance. - Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:- - Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/ or operating performance. - Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. - Counterparty’s financial and/ or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.
Moderate	Counterparties demonstrate limited operational and financial stability and may have a track record of fluctuating and poor earnings and profitability evidencing their past susceptibility to cyclical trends. The key characteristics are:- - Capacity for timely fulfillment of financial obligations exists. - Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. - Overall credit quality may be more volatile within this category.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Non-Retail Banking (Cont'd.)

Credit Quality Classification	Description
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 are projected to continue over the short and possibly medium term. - Significant changes and instability in senior management may be observed.
Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are:- - Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct. - Current and expected debt servicing capacity is inadequate. - Financial solvency is questionable and/or financial structure is weak. - Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. - Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as “impaired” as per the AMMB Group Classified Account Management Policy for Credit Facility.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment

The AMMB 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 AMMB Group considers that an obligor is "unlikely to repay" in full its credit obligations to the Bank;

(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.

However, in specific and special circumstances, there will be cases where past due exposures (more than 90 days) are not considered to be impaired. These are exposures that are exempted from being classified impaired as sanctioned by the regulator from time to time.

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

AMMB Group Provisioning Methodology

The AMMB Group's provisioning methodology complies with MFRS 9 where the Bank 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 Bank calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

AMMB Group Provisioning Methodology (Cont'd.)

(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

The following diagram summarises the impairment requirements under MFRS 9 (other than purchased or originated credit-impaired financial assets):

Change 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.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

The key judgments and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

Significant increase in credit risk ("SICR")

The Bank 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 Bank'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.

(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 judgment about the customer. Factors determining credit risk grades vary depending on nature of exposures and type of customers. 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 Bank may determine that an exposure has undergone a SICR experiences using its expert credit risk judgment and where possible, relevant historical experience based on qualitative indicators specified by the Bank'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 customer 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 Bank.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Definition of default and credit-impaired assets

The Bank 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 customer is considered in default if its contractual payments is more than 90 days past due.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These include instances where:

- The customer is in breach of non-financial covenant for example guarantor is deceased or become of unsound mind or non-compliance of security ratio;
- The customer is insolvent;
- The customer is in breach of financial covenant(s); or
- The customer has ceased operations due to financial distress.

The criteria above have been applied to all financial instruments held by the Bank 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 Exposure At Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD") throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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:
- PD;
- LGD; and
- EAD.

or
- Historical Loss Rate ("LR")

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

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

Credit risk grades are a primary input of 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 Bank 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 Bank 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. They are calculated on a discounted cash flow basis using the effective profit rate as the discount factor.

EAD represents the expected exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of an on-balance sheet asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Historical LR represents the past record of average loss experience for financial assets of similar classes.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

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 employed are 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 judgment 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 calculations

The recognition and measurement of ECL is highly complex and involves the use of significant judgment and estimation. This included establishing the forward-looking macroeconomic conditions into ECL as required under MFRS 9, the allowance for ECL is sensitive to the inputs used and economic assumptions underlying the estimate.

The following table shows the forecast of key economic variables used in forward-looking models for ECL calculations for financial year ended 31 March 2021.
(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

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Key variables/assumptions for ECL calculations (Cont'd.)

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

Write-off Policy

(i) Stage 1 write-off

The Bank 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 RM158.0 million (31 March 2020: RM503.0 million). The Bank still seeks legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

The Bank 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.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Modified Financial Assets

The Bank sometimes modifies the terms of financing provided to customers due to commercial renegotiations, or for distressed financing, 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 judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term financing.

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 Bank then monitors the subsequent performance of modified assets. The Bank 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 Bank's restructuring activities and their respective effect on the Bank's financial performance:

	2021 RM'000	2020 RM'000
Financing and Advances		
Amortised cost before modification	19,050,627	141,658
Net modification (loss)/gain	(152,884)	998

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

Financial investments at fair value through other comprehensive income

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	1,325,806	-	1,325,806
Very strong	1,820,354	-	1,820,354
Strong	392,426	-	392,426
Moderate	-	366,292	366,292
Substandard	190,257	-	190,257
Gross exposure	3,728,843	366,292	4,095,135
Less: Allowances for ECL	(1,968)	(6,827)	(8,795)
Net exposure	3,726,875	359,465	4,086,340
2020			
Risk grade			
Exceptionally strong	1,301,151	-	1,301,151
Very strong	2,323,660	-	2,323,660
Strong	447,385	361,085	808,470
Satisfactory	86,374	13,379	99,753
Moderate	-	363,660	363,660
Gross exposure	4,158,570	738,124	4,896,694
Less: Allowances for ECL	(3,958)	(15,675)	(19,633)
Net exposure	4,154,612	722,449	4,877,061

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financial investments at amortised cost

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
2021			
Risk grade			
Exceptionally strong	260,852	-	260,852
Very strong	280,926	-	280,926
Satisfactory	20,100	-	20,100
Marginal	-	830,800	830,800
Gross exposure	561,878	830,800	1,392,678
Less: Allowances for ECL	(98)	(425)	(523)
Net exposure	561,780	830,375	1,392,155
2020			
Risk grade			
Exceptionally strong	260,733	-	260,733
Very strong	532,469	-	532,469
Strong	20,109	-	20,109
Satisfactory	831,054	-	831,054
Substandard	45,000	-	45,000
Gross exposure	1,689,365	-	1,689,365
Less: Allowances for ECL	(283)	-	(283)
Net exposure	1,689,082	-	1,689,082

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financing and advances

	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	13,090	-	-	13,090
Very strong	11,160,845	188,847	-	11,349,692
Strong	5,974,480	314,822	-	6,289,302
Satisfactory	9,271,030	1,097,883	-	10,368,913
Moderate	3,018,897	1,568,336	-	4,587,233
Marginal	357,650	761,035	-	1,118,685
Substandard	326,669	1,557,297	-	1,883,966
Unrated	1,237	-	-	1,237
Impaired	-	-	613,074	613,074
Gross exposure	30,123,898	5,488,220	613,074	36,225,192
Less: Allowances for ECL	(144,366)	(589,675)	(101,634)	(835,675)
Net exposure	29,979,532	4,898,545	511,440	35,389,517
2020				
Risk grade				
Exceptionally strong	2,270	-	-	2,270
Very strong	10,913,432	275,723	-	11,189,155
Strong	5,081,926	266,473	-	5,348,399
Satisfactory	7,956,759	417,210	-	8,373,969
Moderate	2,633,412	727,805	-	3,361,217
Marginal	622,914	728,489	-	1,351,403
Substandard	563,299	1,468,213	-	2,031,512
Impaired	-	-	615,350	615,350
Gross exposure	27,774,012	3,883,913	615,350	32,273,275
Less: Allowances for ECL	(101,638)	(167,791)	(97,049)	(366,478)
Net exposure	27,672,374	3,716,122	518,301	31,906,797

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Other financial assets (using simplified approach)

	Lifetime ECL not credit impaired RM'000	Total RM'000
2021		
Risk grade		
Exceptionally strong	110,038	110,038
Very strong	14,121	14,121
Strong	5,101	5,101
Satisfactory	4,925	4,925
Moderate	1,705	1,705
Marginal	8,679	8,679
Substandard	146	146
Unrated	16,540	16,540
Net exposure	161,255	161,255
2020		
Risk grade		
Exceptionally strong	23,228	23,228
Very strong	93,999	93,999
Strong	11,470	11,470
Satisfactory	9,397	9,397
Moderate	1,705	1,705
Marginal	1	1
Substandard	260	260
Unrated	18,299	18,299
Net exposure	158,359	158,359

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Financing commitments and financial guarantee contracts

	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	50,199	-	-	50,199
Very strong	5,109,369	338	-	5,109,707
Strong	1,244,391	31,649	-	1,276,040
Satisfactory	2,111,556	202,111	-	2,313,667
Moderate	185,611	52,439	-	238,050
Marginal	124,954	147,661	-	272,615
Substandard	41,767	52,554	-	94,321
Unrated	58,593	-	-	58,593
Impaired	-	-	3,587	3,587
Gross exposure	8,926,440	486,752	3,587	9,416,779
Less: Allowances for ECL	(9,012)	(6,804)	(15)	(15,831)
Net exposure	8,917,428	479,948	3,572	9,400,948
2020				
Risk grade				
Exceptionally strong	119,506	-	-	119,506
Very strong	4,220,655	36,739	-	4,257,394
Strong	1,064,926	43,620	-	1,108,546
Satisfactory	2,026,491	147,396	-	2,173,887
Moderate	170,428	25,182	-	195,610
Marginal	77,326	97,074	-	174,400
Substandard	51,743	71,254	-	122,997
Unrated	829	1,450	-	2,279
Impaired	-	-	3,869	3,869
Gross exposure	7,731,904	422,715	3,869	8,158,488
Less: Allowances for ECL	(11,681)	(6,581)	(7)	(18,269)
Net exposure	7,720,223	416,134	3,862	8,140,219

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality By Class of Financial Assets (Cont'd.)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system (Cont'd.).

Stage 1	Cash and short term funds RM'000	Statutory deposit with Bank Negara Malaysia RM'000
2021		
Risk grade		
Exceptionally strong	9,138,750	113,000
Very strong	180,133	-
Strong	80,000	-
Gross exposure	9,398,883	113,000
Less: Allowances for ECL	(75)	-
Net exposure	9,398,808	113,000
2020		
Risk grade		
Exceptionally strong	5,573,649	147,000
Very strong	350,138	-
Gross exposure	5,923,787	147,000
Less: Allowances for ECL	(26)	-
Net exposure	5,923,761	147,000

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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:

	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2021		
Risk grade		
Exceptionally strong	1,698,768	-
Very strong	475,022	49,052
Strong	74,940	142
Satisfactory	22,937	471
Moderate	-	2
Net carrying amount	2,271,667	49,667
2020		
Risk grade		
Exceptionally strong	1,637,441	-
Very strong	100,052	58,296
Strong	12,757	45
Satisfactory	-	1,240
Moderate	-	5
Marginal	-	67
Net carrying amount	1,750,250	59,653

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Estimated value of collateral for financial assets

The Bank'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 Bank since the previous financial year.

The following table summarises the financial effects of collateral received from financing and advances:

	Gross exposure to credit risk		Financial effects of collateral		Unsecured portion of credit exposure	
	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross financing and advances						
Hire purchase	3,663,641	3,442,602	3,504,671	3,366,712	158,970	75,890
Mortgage	9,956,385	8,062,259	9,858,208	8,013,740	98,177	48,519
Credit card	786,636	772,881	6,298	5,722	780,338	767,159
Others	4,723,084	3,317,275	4,073,083	2,564,891	650,001	752,384
Corporate financing and advances:						
Term financing and bridging financing	8,801,137	7,834,392	5,007,621	4,618,802	3,793,516	3,215,590
Revolving credits	4,383,215	5,091,648	1,233,316	1,545,428	3,149,899	3,546,220
Cash lines	1,148,346	1,378,601	700,084	857,355	448,262	521,246
Trade	2,762,748	2,373,617	1,054,639	979,533	1,708,109	1,394,084
Total	36,225,192	32,273,275	25,437,920	21,952,183	10,787,272	10,321,092

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Collateral Repossessed

There was no collateral taken into possession during the financial year and held as at the end of the year.

Collateral held for credit-impaired financial assets

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank 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:

	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2021				
Credit-impaired financial assets				
Financing and advances				
Hire purchase	16,633	7,086	9,547	15,954
Mortgage	129,213	32,041	97,172	120,971
Credit card	19,574	9,776	9,798	-
Others	20,663	8,353	12,310	11,496
Corporate financing and advances:				
Term financing and bridging financing	375,554	31,364	344,190	362,671
Revolving credits	10,031	200	9,831	10,031
Cash lines	33,077	10,190	22,887	30,373
Trade	8,329	2,624	5,705	5,945
Total credit-impaired financial assets	613,074	101,634	511,440	557,441
2020				
Credit-impaired financial assets				
Financing and advances				
Hire purchase	43,168	16,166	27,002	41,939
Mortgage	110,586	22,739	87,847	106,118
Credit card	15,957	8,304	7,653	29
Others	16,191	7,043	9,148	7,547
Corporate financing and advances:				
Term financing and bridging financing	359,096	9,900	349,196	357,119
Revolving credits	10,041	201	9,840	10,041
Cash lines	54,521	31,373	23,148	53,228
Trade	5,790	1,323	4,467	5,790
Total credit-impaired financial assets	615,350	97,049	518,301	581,811

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Exposures to COVID-19 impacted sectors

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

	2021 RM'000	2020 RM'000
Gross financing and advances:		
Retail and Wholesale/Trading	2,546,665	1,745,491
Accommodation	38,583	40,077
Travel Agencies/Tourism	495	-
Airline/Aviation	117,726	122,051
Food and Beverage Services/Restaurants	29,033	38,127
	2,732,502	1,945,746

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

COVID-19 customer relief and support measures

Other than the auto moratorium between April to September 2020, the Group and the Bank 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:

2021

	Retail customers						Non-retail customers			
	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 payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	8,229,133	2,639,879	243,378	2,504,429	148,651	13,765,470	3,746,451	1,226,825	1,121	4,974,397
Resumed repayments	5,459,156	1,999,590	147,162	2,295,626	99,280	10,000,814	3,344,910	107,634	1,121	3,453,665
Extended **and/or** repaying as per revised schedules	2,683,373	497,435	52,211	110,067	44,179	3,387,265	184,292	1,003,664	-	1,187,956
Missed payments	86,604	142,854	44,005	98,736	5,192	377,391	217,249	115,527	-	332,776
As a percentage of total:										
Resumed repayments	66%	76%	61%	92%	67%	73%	89%	9%	100%	69%
Extended **and/or** repaying as per revised schedules	33%	19%	21%	4%	30%	24%	5%	82%	0%	24%
Missed payments	1%	5%	18%	4%	3%	3%	6%	9%	0%	7%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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 financing where relief assistance is provided.

These overlays adjustments were taken to reflect the underlying customer 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 judgment 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 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 FY 2022 amounting to RM363.6 million as at 31 March 2021.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and financing 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 risk 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	• LCR • NSFR • Depositor Concentration Ratios • Other Detailed Controls
Control/ Mitigation	• LCR Limits • NSFR Limits/Triggers • Depositors Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Bank is aligned to the LCR policy and NSFR policy issued by BNM. The primary objective of the Bank'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.

50. RISK MANAGEMENT (CONT'D.)

50.3 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 Bank's liquidity management strategy while GALCO is the core management committee established by the Board to oversee the overall liquidity management of the Bank.

The Bank 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 Bank and amongst others include the BNM LCR, BNM NSFR, Depositors 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 Bank’s liquidity at risk. The Bank further stresses the importance of the stable funding sources to finance lending and financing to customers. They are monitored using the financing to available funds ratio, which compares financing and advances to customers as a percentage's of the Bank's total available funds.

To measure the quality of the Bank's funding sources, the composition of core funds indicator is monitored on a regular basis. The core funds is defined as deposits from retail and small business customers, operational deposits, non-financial institutions deposits more than 1 year and debt instrument/long term borrowings more than 1 year.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

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

2021	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	9,398,808	-	-	-	-	-	-	9,398,808
Derivative financial assets	2,814	6,690	12,032	5,497	22,634	-		49,667
Financial assets at fair value through profit or loss	324,945	304,827	125,954	1,447,400	7,834	60,707	-	2,271,667
Financial investments at fair value through other comprehensive income	199,730	456,948	372,992	238,465	1,869,436	957,564	-	4,095,135
Financial investments at amortised cost	-	-	-	39,963	105,784	1,246,408	-	1,392,155
Financing and advances				9,490,282	4,751,373	21,147,862	-	35,389,517
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	113,000	-	113,000
Deferred tax asset	-	-	-	-	-	-	62,805	62,805
Other assets	104,453	17,958	28,197	30,116	64,846	4,932	-	250,502
Property and equipment	-	-	-	-	-	-	440	440
Right-of-use assets	-	-	-	-	-	-	2,351	2,351
Intangible assets	-	-	-	-	-	-	718	718
Total Assets	10,030,750	786,423	539,175	11,251,723	6,821,907	23,530,473	66,314	53,026,765
Liabilities								
Deposits from customers	23,340,085	9,841,905	3,821,128	4,104,732	624,661	-	-	41,732,511
Investment accounts of customers	80,436	11,550	2,848	-	-	-	-	94,834
Deposits and placements of banks and other financial institutions	1,728,656	1,263,287	136,067	546	29,530	59,278	-	3,217,364
Investment account due to a licensed bank	-	-	-	-	500,000	218,034	-	718,034
Derivative financial liabilities	2,664	6,594	11,824	5,292	41,377	-	-	67,751
Recourse obligation on financing sold to Cagamas Berhad	-	300,000	-	500,000	-	-	-	800,000
Term funding	-	-	-	200,000	834,766	-	-	1,034,766
Subordinated Sukuk	-	-	-	-	-	1,300,000	-	1,300,000
Other liabilities	156,764	62,056	12,340	11,312	44,060	1,618	-	288,150
Provision for zakat	-	-	-	953	-	-	-	953
Total Liabilities	25,308,605	11,485,392	3,984,207	4,822,835	2,074,394	1,578,930	-	49,254,363
Net gap	(15,277,855)	(10,698,969)	(3,445,032)	6,428,888	4,747,513	21,951,543	66,314	3,772,402

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

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

2020	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,923,761	-	-	-	-	-	-	5,923,761
Derivative financial assets	2,091	15,766	13,282	3,146	25,368	-		59,653
Financial assets at fair value through profit or loss	280,134	745,018	375,269	210,326	68,978	70,525	-	1,750,250
Financial investments at fair value through other comprehensive income	499,299	180,305	20,104	721,895	2,188,585	1,286,506	-	4,896,694
Financial investments at amortised cost	-	-	-	296,297	125,026	1,267,759	-	1,689,082
Financing and advances	9,735,175	10,708	56,654	452,723	6,166,349	15,485,188	-	31,906,797
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	147,000	-	147,000
Other assets	90,266	30,033	44,470	37,685	52,525	145	-	255,124
Property and equipment	-	-	-	-	-	-	481	481
Right-of-use assets	-	-	-	-	-	-	2,759	2,759
Intangible assets	-	-	-	-	-	-	1,034	1,034
Total Assets	16,530,726	981,830	509,779	1,722,072	8,626,831	18,257,123	4,274	46,632,635
Liabilities								
Deposits from customers	18,053,552	9,012,193	3,240,036	3,207,927	1,158,422	-	-	34,672,130
Investment accounts of customers	77,337	61,414	69,975	-	-	-	-	208,726
Deposits and placements of banks and other financial institutions	2,804,466	455,527	245,200	27,572	8,810	-	-	3,541,575
Investment account due to a licensed bank	-	-	-	-	500,000	218,005	-	718,005
Derivative financial liabilities	1,936	15,576	13,146	3,066	50,141	-	-	83,865
Recourse obligation on financing sold to Cagamas Berhad	-	600,000	-	400,000	-	-	-	1,000,000
Term funding	-	-	-	-	1,034,697	-	-	1,034,697
Subordinated Sukuk	-	-	-	-	-	1,150,000	-	1,150,000
Deferred tax liabilities	-	-	-	-	-	-	7,884	7,884
Other liabilities	356,071	89,369	13,327	58,423	14,386	18,158	-	549,734
Provision for zakat	-	-	-	2,641	-	-	-	2,641
Total Liabilities	21,293,362	10,234,079	3,581,684	3,699,629	2,766,456	1,386,163	7,884	42,969,257
Net gap	(4,762,636)	(9,252,249)	(3,071,905)	(1,977,557)	5,860,375	16,870,960	(3,610)	3,663,378

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Assets and Liabilities By Remaining Contractual Maturities on undiscounted basis

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 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Deposits from customers	23,587,720	9,946,326	3,861,670	4,148,282	631,289	-	-	42,175,287
Investment accounts of customers	80,715	11,618	2,850	-	-	-	-	95,183
Deposits and placements of banks and other financial institutions	1,746,996	1,276,690	137,511	552	29,844	59,906	-	3,251,499
Investment account due to a licensed bank	1,137	3,678	3,869	8,549	534,862	246,819	-	798,914
Derivative financial liabilities	1,533	6,561	19,422	15,349	57,213	-	-	100,078
Recourse obligation on financing sold to Cagamas Berhad	-	308,800	-	505,668	-	-	-	814,468
Term funding	-	-	19,895	219,837	933,400	-	-	1,173,132
Subordinated Sukuk	12,167	6,517	10,163	278,882	1,156,759	-	-	1,464,488
Other liabilities*	41,307	2,004	14,278	9,160	19,950	266	-	86,965
Provision for zakat	-	-	-	953	-	-	-	953
Total Undiscounted Liabilities	25,471,575	11,562,194	4,069,658	5,187,232	3,363,317	306,991	-	49,960,967
Contingencies								
Direct credit substitutes	21,545	25,162	68,283	406,046	52,918	-	-	573,954
Transaction-related contingent items	15,867	21,027	70,919	190,512	538,813	25,214	-	862,352
Short-term self liquidating trade-related contingencies	28,059	11,975	3,097	-	-	-	-	43,131
Commitments								
Other commitments, such as formal standby facilities and credit lines	206,935	231,819	701,647	2,430,761	642,987	2,333,783	-	6,547,932
Unutilised credit card lines	1,389,410	-	-	-	-	-	-	1,389,410
Forward asset purchase	237,329	-	-	-	-	-	-	237,329
	1,899,145	289,983	843,946	3,027,319	1,234,718	2,358,997	-	9,654,108

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONT'D.)

Analysis of Assets and Liabilities By Remaining Contractual Maturities on undiscounted basis (Cont'd.)

2020	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Deposits from customers	18,362,704	9,166,519	3,295,519	3,262,860	1,178,258	-	-	35,265,860
Investment accounts of customers	77,830	62,194	71,172	-	-	-	-	211,196
Deposits and placements of banks and other financial institutions	2,852,489	463,327	249,399	28,044	8,962	-	-	3,602,221
Investment account due to a licensed bank	1,587	4,858	5,519	11,479	538,761	251,421	-	813,625
Derivative financial liabilities	2,036	15,593	20,720	3,115	23,098	-	-	64,562
Recourse obligation on financing sold to Cagamas Berhad	-	617,080	-	406,880	-	-	-	1,023,960
Term funding	-	-	20,223	19,895	1,173,132	-	-	1,213,250
Subordinated Sukuk	12,367	6,945	10,152	279,285	1,001,853	-	-	1,310,602
Other liabilities*	332,313	2,614	3,961	17,881	13,840	1,916	-	372,525
Provision for zakat	-	-	-	2,641	-	-	-	2,641
Total Undiscounted Liabilities	21,641,326	10,339,130	3,676,665	4,032,080	3,937,904	253,337	-	43,880,442
Contingencies								
Direct credit substitutes	24,637	19,186	91,369	374,277	61,150	-	-	570,619
Transaction-related contingent items	48,343	62,044	57,341	169,984	413,932	353	-	751,997
Short-term self liquidating trade-related contingencies	56,414	23,188	1,356	-	-	-	-	80,958
Commitments								
Other commitments, such as formal standby facilities and credit lines	75,409	153,574	620,818	1,676,464	774,868	2,098,845	-	5,399,978
Unutilised credit card lines	1,354,936	-	-	-	-	-	-	1,354,936
Forward asset purchase	159,934	-	-	-	-	-	-	159,934
	1,719,673	257,992	770,884	2,220,725	1,249,950	2,099,198	-	8,318,422

* The balances had included the undiscounted contractual payments for lease liabilities. Detail maturity analysis for lease commitment is disclosed in Note 25 (a).

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as profit rates, credit spreads, equity prices and foreign exchange rates. The Bank 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 IBMR.

Traded Market Risk

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") • Other Detailed Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 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 Bank 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 AMMB Board and 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.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

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 Bank is able to absorb extreme, unanticipated market movements.

Apart from VaR, Loss Limits and HSL, additional sensitivity controls 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 TMR are required to maintain risk exposures within approved risk limits and to provide an explanation for any non-adherence event to Senior Management.

The Bank 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.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk

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

Rate of Return Risk in Banking Book ("RORBB")

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

Identification	• Identify 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

RORBB arises from changes in market profit rates that impact core net 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 profit margins and implied volatilities on profit rate options. The provision of retail and wholesale banking products and services (primarily financing and deposit-taking activities) creates profit rate sensitive positions in the Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage profit sensitivity while maintaining acceptable levels of RORBB and funding risk, and to manage the economic value of the Bank's capital.

The Board's oversight of RORBB is supported by the GALCO and GMRC. GMRC is responsible for the alignment of Bank-wide risk appetite. GALCO reviews strategies to ensure a comfortable level of RORBB is maintained, taking into consideration the Bank's business strategies and is responsible for overseeing the Bank's gapping positions, asset growth and liability mix against the profit rate outlook. The Bank has successfully engaged long-term borrowings and written profit rate swaps to manage RORBB and maintained an acceptable gapping profile as a result. In accordance with the Bank's policy, RORBB positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Management-established limits.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Non-Traded Market Risk (Cont'd.)

Rate of Return Risk in Banking Book ("RORBB") (Cont'd.)

The Bank measures the 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 profit rates.

The Bank complements PV01 by stress testing 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 profit rates and spreads, changes in financing and deposit product balances due to behavioural characteristics under different profit rate environments. Material assumptions include the repricing characteristics and the stability of indeterminate or non-maturity deposits and financing.

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

The Bank's strategy seeks to optimise exposure to RORBB within Management-approved limits. This is achieved through the ability to reposition the profit rate exposure of the statement of financial position using various product and funding strategies, supported by profit rate hedging activities using profit rate swaps and other derivatives. These approaches are governed by the Bank'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 Profit Rate Risk Framework.

RORBB exposures are monitored by IBMR and positions reported to the GALCO, GMRC, RMC and the Board.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity

(i) Rate of Return Risk

Rate of return risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rate and is managed through gap and sensitivity analysis. Profit rate movements also affect the Bank's income and expense from assets and liabilities as well as capital fund. The Bank has adopted profit rate risk hedging measures to cushion the profit rate volatility.

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation and equity to a reasonable possible change in profit rate with all the other variables remaining constant.

Traded Market Risk:

	2021		2020	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	(33,736)	36,370	(8,200)	8,451

Non-Traded Market Risk:

	2021		2020	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	243,130	(242,799)	215,637	(215,307)
Impact on equity	(100,778)	108,418	(123,067)	133,121

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Bank's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Bank from being exposed to excessive foreign exchange risk.

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation to a reasonable possible change in exchange rates with all other variables remaining constant.

	2021		2020	
Currency	**Exchange rate + 10 % (RM'000)**	**Exchange rate - 10 % (RM'000)**	**Exchange rate + 10 % (RM'000)**	**Exchange rate - 10 % (RM'000)**
USD	8,196	(8,196)	10,089	(10,089)
SGD	49	(49)	49	(49)
EUR	988	(988)	1,918	(1,918)
AUD	(2,078)	2,078	(7,523)	7,523
GBP	(1,392)	1,392	-	-
Others	(216)	216	(240)	240

There is no impact to equity for financial year ended 31 March 2021 and 31 March 2020 in respect of foreign exchange risk.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via loss limits and VaR limits.

There is no impact to profit before zakat and taxation and equity for financial year ended 31 March 2021 and 31 March 2020 in respect of equity price risk.

50.5 OPERATIONAL RISK MANAGEMENT

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

Identification	• Identify and analyse risk 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 establishment of internal control • 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 compliance risk. (Please refer to Note 50.9 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Operational Risk Appetite (“ORA”) is set as part of overall GRAF, which sets the acceptable tolerance levels of operational risk that the Bank 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 Bank’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 Bank 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 are as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced FLOD provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement, validation of FLOD effectiveness and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC and the Board.

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

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (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 Bank. The ORM process contains the following ORM tools:

- The Incident Management and Data Collection (“IMDC”) module provides a common platform for reporting operational risk incident that falls 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 future operational risks 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 AMMB Group.

- The Key Risk Indicators (“KRI”) module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

- The Key Control Testing (“KCT”) is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.

- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented.

- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

i. 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 Plan
Monitoring/ Review	• BC Plan testing and exercise • Review of BC Plan • BC site readiness and Plan maintenance

The BCM function is an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the AMMB 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 AMMB Group's stakeholders by protecting the organization's franchise and reputation.

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

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

50. RISK MANAGEMENT (CONT'D.)

50.6 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 respond to upcoming threats. The resilience of the AMMB Group’s IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers’ information.

The AMMB Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defense mechanisms and uplift governance processes alongside the AMMB 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 AMMB 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 AMMB 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.

50.7 LEGAL RISK

In all jurisdictions that the AMMB Group conducts its business, there could be potential legal risks arising from breaches of applicable laws, unenforceability of contracts, lawsuits, adverse judgment, failure to respond to changes in regulatory requirements and failure to protect assets (including intellectual properties) owned by the AMMB Group which may lead to incurrence of losses, disruption or otherwise impact on the Bank's financials or reputation.

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

50.8 REGULATORY COMPLIANCE RISK

The AMMB Group has in place a compliance framework to promote the safety and soundness of the AMMB 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 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.

50. RISK MANAGEMENT (CONT'D.)

50.8 REGULATORY COMPLIANCE RISK (CONT'D.)

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 AMMB Group's processes and increasing awareness on the role of every employee to be compliant and safeguard the AMMB 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.

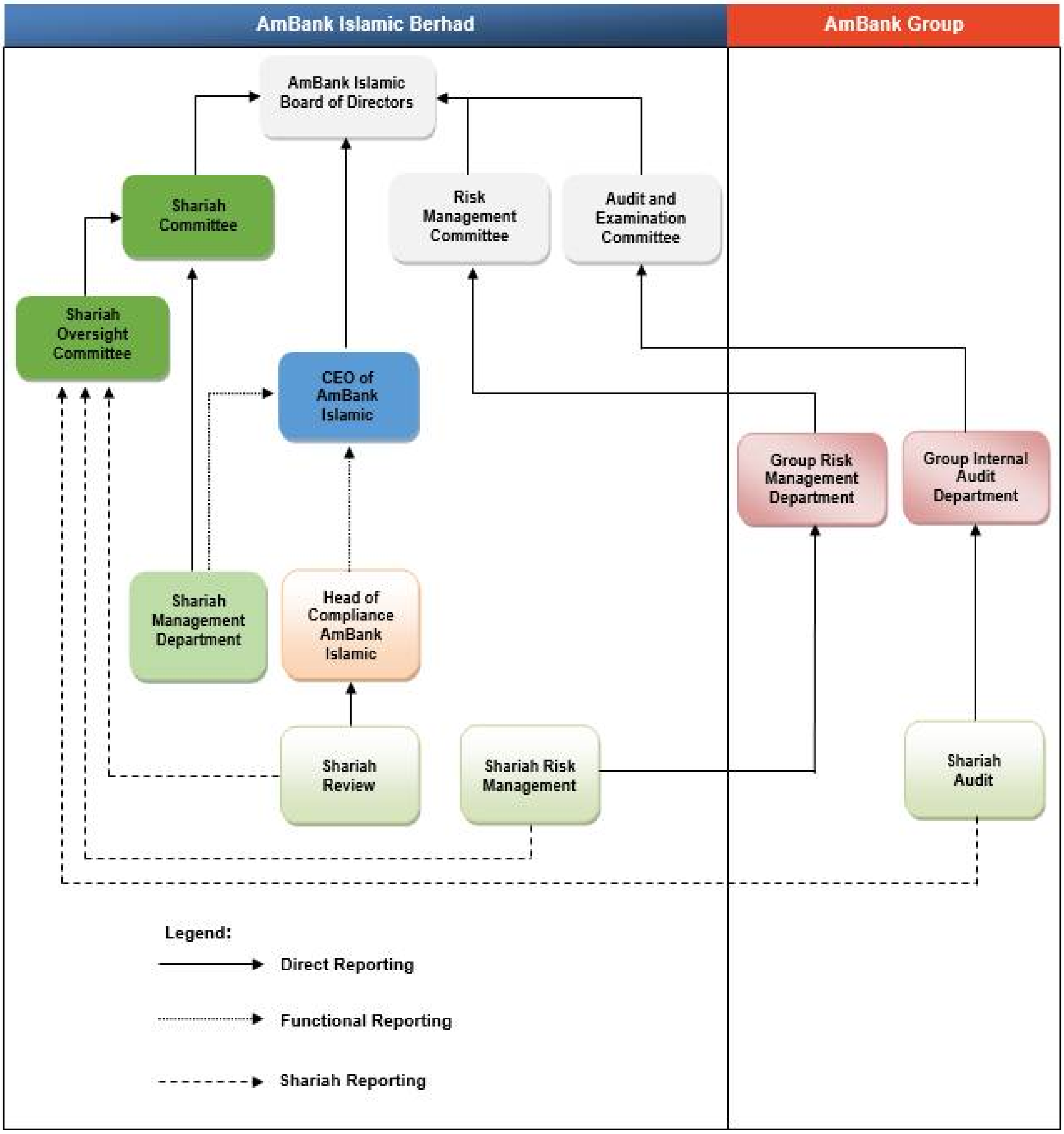
The Group Management Governance and Compliance Committee ("GMGCC"), comprising the Senior Management Team from Group Compliance, Group Risk, Group Internal Audit and the Business, meets regularly to discuss and deliberate on regulatory updates, compliance issues and areas of non-compliance. The AMMB 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 AMMB Group has zero tolerance for any form of bribery or corruption.

The AMMB Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risks as well as sensitive towards heightened regulatory surveillance and enforcement.

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK

Shariah Governance Structure



50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

Shariah Governance Structure (Cont'd.)

The Bank 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 the Bank comply with Shariah principles and its requirements.

Apart from Shariah Management, Shariah Risk Management and Shariah Review functions which reside in the Bank, the Bank’s Shariah governance structure leverages on AMMB 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 AEC, RMC and the Shariah Committee.

Audit and Examination Committee ("AEC")

AEC is a Board committee 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.

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 the Bank's business and operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

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 the Bank and AMMB 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.

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 the Bank.

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.

50. RISK MANAGEMENT (CONT'D.)

50.9 SHARIAH RISK (CONT'D.)

Shariah Review

Shariah Review Section is 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.

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 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.

Shariah Non-Compliant 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) Shariah non-compliant SNC incidents involving SNC income of approximately RM50,000.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives 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 deferred 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).

	2021		2020	
	Carrying value RM'000	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Financial investments at amortised cost	1,392,155	1,446,919	1,689,082	1,790,308
Financing and advances *	3,922,717	3,558,832	3,574,912	3,616,146
	5,314,872	5,005,751	5,263,994	5,406,454
Financial liabilities				
Recourse obligation on financing sold to Cagamas Berhad	800,000	804,614	1,000,000	1,013,593
Term funding	1,034,766	1,049,698	1,034,697	1,041,381
Subordinated Sukuk	1,300,000	1,306,499	1,150,000	1,185,059
	3,134,766	3,160,811	3,184,697	3,240,033

Note

* excluding financing and advances of RM31,466,800,000 (2020: RM28,331,885,000) where the carrying amounts are reasonable approximation of their fair values.

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

b) The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

	Valuation techniques			
	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	-	49,667	-	49,667
Financial assets at fair value through profit or loss				
- Money market securities	-	1,698,768	-	1,698,768
- Unquoted sukuk	-	572,899	-	572,899
Financial investments at fair value through other comprehensive income				
- Money market securities	-	1,725,192	-	1,725,192
- Unquoted sukuk	-	2,369,943	-	2,369,943
Assets for which fair values are disclosed				
Financial investments at amortised cost	-	1,446,919	-	1,446,919
Financing and advances	-	3,558,832	-	3,558,832
	-	11,422,220	-	11,422,220
Financial liabilities measured at fair value				
Derivative financial liabilities	-	67,751	-	67,751
Financial liabilities for which values are disclosed				
Recourse obligation of financing sold to Cagamas Berhad	-	804,614	-	804,614
Term funding	-	1,049,698	-	1,049,698
Subordinated Sukuk	-	1,306,499	-	1,306,499
	-	3,228,562	-	3,228,562

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

b) The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities. (Cont'd.)

	Valuation techniques			
	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	-	59,653	-	59,653
Financial assets at fair value through profit or loss				
- Money market securities	-	1,637,441	-	1,637,441
- Unquoted sukuk	-	112,809	-	112,809
Financial investments at fair value through other comprehensive income				
- Money market securities	-	1,600,695	-	1,600,695
- Unquoted sukuk	-	3,295,999	-	3,295,999
Assets for which fair values are disclosed				
Financial investments at amortised cost	-	1,790,308	-	1,790,308
Financing and advances	-	3,616,146	-	3,616,146
	-	12,113,051	-	12,113,051
Financial liabilities measured at fair value				
Derivative financial liabilities	-	83,865	-	83,865
Financial liabilities for which fair values are disclosed				
Recourse obligation of financing sold to Cagamas Berhad	-	1,013,593	-	1,013,593
Term funding	-	1,041,381	-	1,041,381
Subordinated Sukuk	-	1,185,059	-	1,185,059
	-	3,323,898	-	3,323,898

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

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets and financial liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Financing and advances

The fair value of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate financing and advances, 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 financing and advances, the fair values are deemed to approximate the carrying value (net of impairment losses).

(d) Term funding and debt capital

The Bank 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 financing sold to Cagamas Berhad

The fair value for recourse obligation on 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.

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

Determination of fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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 Bank’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 is unquoted 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 Bank. Therefore, unobservable inputs reflect the Bank'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 Bank's own data, as well as financial information of the counterparties.

52. 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. financing and advances) are as follows:

	Gross amount of recognised financial assets/liabilities	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amount not offset in the statement of financial position		
				Financial instruments	Cash collateral received/pledged	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021						
Derivative financial assets (Note 7)	49,667	-	49,667	(34,801)	-	14,866
Derivative financial liabilities (Note 7)	67,751	-	67,751	(34,801)	-	32,950
2020						
Derivative financial assets (Note 7)	59,653	-	59,653	(8,907)	-	50,746
Derivative financial liabilities (Note 7)	83,865	-	83,865	(8,907)	-	74,958

53. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Bank'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 Bank 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 financing, credit cards, small business financing, 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 Financing, and Project Financing.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets:

(i) Corporate Banking

Corporate Banking offers a full range of products and services of corporate lending, trade finance, and cash management solutions to wholesale banking clients.

(ii) Group Treasury and Markets

Group Treasury and Markets includes proprietary trading as well as providing full range of Shariah compliant products and services relating to treasury activities, including foreign exchange, derivatives and fixed income. It also offers Shariah compliant customised investment solutions for customers.

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

(d) Investment Banking

Investment Banking offer Islamic advisory services and a wide range of Shariah-compliant financial and investment solutions that include sukuk origination, Islamic equity or equity related capital markets offerings, Islamic structured finance and Islamic syndicated financing.

(e) Group Funding and Others

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

Measurement of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised costs, 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 aggregation.

Operating Revenue

Operating revenue of the Bank comprises all type of revenue derived from the business segments.

Major Customers

No revenue from one single customer amounted to greater than 10% of the Bank’s revenue for the current and previous financial year.

Notes:

(i) The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

(ii) The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.

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

53. BUSINESS SEGMENT ANALYSIS

2021

	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
External revenue	769,104	177,677	543,500	396,720	711	(65,784)	1,821,928
Revenue from other segments	(165,530)	(58,430)	(204,155)	221,506	(123)	206,732	-
Total operating revenue	603,574	119,247	339,345	618,226	588	140,948	1,821,928
Net finance income	360,463	72,771	230,530	151,630	73	14,896	830,363
Other income	32,483	11,292	26,759	14,251	514	654	85,953
Net income	392,946	84,063	257,289	165,881	587	15,550	916,316
Other operating expenses of which:	(187,347)	(9,495)	(51,956)	(8,210)	(151)	(38,419)	(295,578)
Depreciation of property and equipment	-	-	-	-	-	(128)	(128)
Depreciation of right-of use assets	-	-	-	-	-	(299)	(299)
Amortisation of intangible assets	(11)	(1)	(1)	-	-	(366)	(379)
Profit before impairment losses	205,599	74,568	205,333	157,671	436	(22,869)	620,738
Allowance for impairment losses on financing and advances	(136,711)	(11,861)	(141,987)	-	-	(225,305)	(515,864)
Writeback of impairment losses on financial investments	-	-	-	7,179	-	3,419	10,598
Impairment losses on other financial assets	-	-	-	(58)	-	9	(49)
Writeback of provision/(provision for) commitments and contingencies	1,173	(49)	(2,551)	-	-	3,860	2,433
Profit before zakat and taxation	70,061	62,658	60,795	164,792	436	(240,886)	117,856
Zakat and taxation	(16,814)	(15,038)	(14,591)	(30,094)	(105)	80,087	3,445
Profit for the financial year	53,247	47,620	46,204	134,698	331	(160,799)	121,301

Other information

	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
Total segment assets	18,855,858	4,002,841	12,902,200	17,327,122	44,964	(106,220)	53,026,765
Total segment liabilities	11,911,682	1,970,592	5,637,906	25,771,001	1,699	3,961,483	49,254,363
Cost to income ratio	47.7%	11.3%	20.2%	4.9%	25.7%	>100%	32.3%
Gross financing and advances	19,118,205	4,030,127	13,081,555	-	-	(4,695)	36,225,192
Net financing and advances	18,781,427	4,000,066	12,889,084	-	-	(281,060)	35,389,517
Impaired financing and advances	186,083	95,511	331,480	-	-	-	613,074
Deposits	11,830,379	1,942,225	5,585,481	25,532,514	-	59,276	44,949,875
Additions to:							
Property and equipment	-	-	-	-	-	87	87
Intangible assets	12	10	10	-	-	31	63

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2020 (Restated)

	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury and market RM'000	Investment banking RM'000	Group funding and others RM'000	Total RM'000
External revenue	794,114	201,405	630,023	430,899	3,680	1,004	2,061,125
Revenue from other segments	(97,095)	(80,243)	(300,578)	222,413	45	255,457	(1)
Total operating revenue	697,019	121,162	329,445	653,312	3,725	256,461	2,061,124
Net finance income	336,486	70,138	210,901	77,086	46	72,810	767,467
Other income	28,073	12,259	39,412	31,862	3,680	1,004	116,290
Net Income	364,559	82,397	250,313	108,948	3,726	73,814	883,757
Other operating expenses of which:	(190,257)	(9,396)	(55,002)	(8,591)	(156)	(43,943)	(307,345)
Depreciation of property and equipment	(1)	-	-	-	-	(127)	(128)
Depreciation of right-of use assets	-	-	-	-	-	(143)	(143)
Amortisation of intangible assets	(11)	-	-	-	-	(358)	(369)
Profit before impairment losses	174,302	73,001	195,311	100,357	3,570	29,871	576,412
Allowance for impairment losses on financing and advances	(62,878)	(39,893)	(2,461)	-	-	(51,060)	(156,292)
Writeback of/(allowance for) impairment losses on financial investments	-	-	-	4,829	-	(3,419)	1,410
Impairment losses on other financial assets	-	-	-	(10)	-	(9)	(19)
(Provision for)/writeback of provision for commitments and contingencies	(1,034)	602	4,260	-	-	(3,860)	(32)
Profit before zakat and taxation	110,390	33,710	197,110	105,176	3,570	(28,477)	421,479
Zakat and taxation	(26,493)	(8,091)	(47,307)	(17,931)	(857)	12,988	(87,691)
Profit for the financial year	83,897	25,619	149,803	87,245	2,713	(15,489)	333,788
Other information							
Total segment assets	15,420,212	3,593,664	13,027,603	14,534,488	-	56,668	46,632,635
Total segment liabilities	11,674,988	1,736,420	5,080,719	20,551,122	1,440	3,924,568	42,969,257
Cost to income ratio	52.2%	11.4%	22.0%	7.9%	4.2%	59.5%	34.8%
Gross financing and advances	15,575,088	3,637,409	13,060,778	-	-	-	32,273,275
Net financing and advances	15,353,061	3,590,238	13,014,558	-	-	(51,060)	31,906,797
Impaired financing and advances	185,902	127,899	301,549	-	-	-	615,350
Deposits	11,562,712	1,700,154	5,052,579	19,898,260	-	-	38,213,705
Additions to:							
Property and equipment	-	-	-	-	-	33	33
Intangible assets	-	-	-	-	-	52	52

Note:

1. Operating revenue of the Bank comprises financing income and hibah and other operating income.

54. RESTATEMENT OF COMPARATIVE INFORMATION

The Bank continuously strengthen its regulatory reporting framework. The Bank 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 Bank 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 Bank makes disclosures pertaining to financing and advances. The comparatives on breakdown of financing and advances in Notes 11(b), (d), (e), (f) and (i) and Notes 50.2(i) 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 Bank.

55. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Additional measures announced by BNM to assist customers affected by COVID-19

The Bank 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 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 Bank had incorporated additional forward-looking ("FL") estimates, assumptions and judgments 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 financing and advances in the form of FL ECL overlay which amounted to approximately RM305.3 million (2020: RM58.3 million) charged to profit or loss.