AmInvestment Bank Berhad

(Registration No. 197501002220 (23742-V))
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2021

Registration No.197501002220 (23742-V)

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2021

CONTENTS	**PAGE**

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of **AmInvestment Bank Berhad** ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide a wide range of investment banking and related financial services which also include Islamic Banking business, investment advisory, shares and futures broking, fund management and investment research and publication activities.

The Islamic Banking business refers to the stockbroking and capital market activities undertaken in compliance with Shariah principles relating to investment banking services which are regulated by Securities Commission and Bursa Malaysia Berhad.

The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

There has been no other significant change in the nature of the activities of the Bank and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Loss for the financial year	198,093	213,762

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 15, 29 and 30 and the statements of changes in equity to the financial statements.

In the opinion of the Directors, the results of operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the settlement with Ministry of Finance by AMMB Holdings Berhad as disclosed in Note 47 in the financial statements.

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

OUTLOOK FOR NEXT FINANCIAL YEAR

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

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

BUSINESS PLAN AND STRATEGY

Financial year ("FY") 2021 has been an unprecedented year for AMMB Group as we navigated between the challenging business landscape resulting from the COVID-19 pandemic and the RM2.83 billion settlement with the Ministry of Finance. Nonetheless, AMMB Group entered the crisis on a strong footing and remained resilient with ample liquidity and capital levels above internal thresholds. Given the current economic climate, our top priority will be the restoration of our capital positions back to pre-settlement levels to build up buffers, improve financial flexibility and return value to shareholder. Besides organic capital accretion via profit formation, measures taken to accelerate capital build in the near future are private placement, Foundation Internal Ratings-Based ("FIRB") implementation and potential non-core asset divestitures.

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

SIGNIFICANT EVENTS

The significant events are disclosed in Note 47 to the financial statements.

DIVIDENDS

During the financial year, the final single-tier cash dividend of 19.50 sen per ordinary share on 200,000,000 ordinary shares declared on 5 May 2020 amounting to RM39,000,000 in respect of the financial year ended 31 March 2020 was paid on 23 July 2020.

In respect of the current financial year, the Board of Directors ("the Board") have declared an interim single-tier cash dividend of 15.00 sen per ordinary share on 200,000,000 ordinary shares on 28 October 2020 amounting to RM30,000,000 which was paid on 16 December 2020.

The Board did not propose or declare any final dividend for the current financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

(b) any contingent liability in respect of the Group and of the Bank that 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 Group and 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 Group and of the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Bank had issued 114,035,088 new ordinary shares at RM1.14 per ordinary shares amounting to RM 130,000,000. The purpose of the issuance is to recapitalise the Bank's capital position, in relation to the cost apportionment arising from the settlement as disclosed in Note 47 in the financial statements.

The Bank has not issued any new debentures during the financial year.

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 legal liability incurred by the Directors and Officers in the discharge of their duties while holding office within the Group including for the Bank and its subsidiaries. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The gross amount of insurance premium paid by AMMB for the Directors and Officers of AMMB and its subsidiaries for the current financial year was RM360,000 (2020 : RM324,750).

DIRECTORS

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

Jeyaratnam A/L Tamotharam Pillai
Lum Sing Fai
Tan Bun Poo
Ramesh Pillai
Chee Li Har
Seow Yoo Lin
Dato' Kong Sooi Lin

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

No.	Name of subsidiaries	Directors of the subsidiaries
1.	AmFunds Management Berhad	Jeyaratnam A/L Tamotharam Pillai Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Goh Wee Peng
2.	AmIslamic Funds Management Sdn Bhd	Chee Li Har Sum Leng Kuang Tai Terk Lin Zainal Abidin bin Mohd Kassim Goh Wee Peng Wong Weng Tuck
3.	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
4.	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw
5.	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
6.	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
7.	AMMB Nominees (Tempatan) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
8.	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng

DIRECTORS (CONT'D.)

The Directors who served on the Board of the subsidiaries of the Bank since the beginning of the current financial year to the date of this report are (Cont'd.):

No.	Name of subsidiaries	Directors of the subsidiaries
9.	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	Stephennoel Kwong Yong Shian Hon Chu Nyaw
10.	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng

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 of the Bank or its 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 any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 28 to the financial statements or other amount received from related corporations) by reason of a contract made by the Bank or a related corporation with a Director or with a firm in which a Director is a member, or with a company in which a Director has a substantial financial interest, except for the related party transactions as shown in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Bank 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.

AMMB EXECUTIVES' SHARE SCHEME

On 5 October 2018, Board of AMMB approved the implementation of an executives' share scheme ("ESS") for eligible executives of AMMB Group (including eligible executives of the Bank and its subsidiaries).

The awards under the ESS are up to ten percent (10%) of the issued and paid-up ordinary share capital of AMMB at any point in time for the duration of the ESS for Eligible Executives including Executive Directors. The ESS is implemented and administered by the Group Nomination and Remuneration Committee ("GNRC").

The effective date of the ESS is 5 October 2018 and would be in force for a period of ten (10) years to 4 October 2028.

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the 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.

CORPORATE GOVERNANCE

(a) DIRECTORS' PROFILE

MR JEYARATNAM A/L TAMOTHARAM PILLAI
Independent Non-Executive Chairman

Mr Jeyaratnam A/L Tamotharam Pillai, a Malaysian, aged 66, was appointed to the Board of the Bank on 1 October 2018 as an Independent Non-Executive Director. He assumed the Chairmanship of the Board on 25 January 2019.

Mr Jeyaratnam is also the Chairman/Independent Non-Executive Director of AmFunds Management Berhad, a wholly-owned subsidiary of the Bank.

With over 30 years' experience in the financial and investment banking services industry, Mr Jeyaratnam is a seasoned banker having been involved in various assignments which included the listing of companies, mergers and acquisitions, takeovers, corporate restructuring and fund-raising exercises. Mr Jeyaratnam undertook Malaysia's first privatisation exercise and participated in various feasibility studies and cross border transactions in India, Ghana and the United Kingdom.

The area of expertise and experience of Mr Jeyaratnam also included deals origination, define corporate and funding structures, evaluate and negotiate deals, execution and implementation of deals. He has been working closely with various stakeholders such as corporate clients, investors, banks, government agencies, Bursa Malaysia Securities Berhad ("Bursa"), Securities Commission Malaysia ("SC") and Bank Negara Malaysia.

During his career, Mr Jeyaratnam had served as Chief Executive/Deputy Chief Executive of four investment banks over a 12-year period. He was also a member of the Sub-Committee of Bursa and the Capital Market Advisory Council of SC. Mr Jeyaratnam was appointed by the Minister of Finance to be part of the six-member team that was responsible in formulating the Malaysian Capital Market Masterplan. He was overseeing the Investment Banking, Stockbroking, Fund Management and Venture Capital Activities during his tenure in Maybank as the Head of Investment Banking Division.

Mr Jeyaratnam's past directorships included Westcomb Financial Group Limited Singapore, Kuwait Finance House (Australia) Pty Ltd, KFH Asset Management Sdn Bhd, Kuwait Finance House (Labuan) Berhad and Avenue Capital Resource Berhad.

Mr Jeyaratnam is a member of the Institute of Chartered Accountants in England and Wales and member of the Malaysian Institute of Accountants. He held a Capital Markets Service Representative License ("CMSRL" Adviser License) and was a Qualified Senior Personnel ("QSP") approved by the SC.

MR LUM SING FAI
Non-Independent Non-Executive Director

Mr Lum Sing Fai, a Malaysian, male, aged 56, was appointed to the Board of the Bank on 15 January 2019 as Non-Independent Non-Executive Director.

Mr Lum started his career in Southern Bank Berhad from 1987 to 1994 working in various capacities from operations to corporate banking. He is currently the Managing Director of Capital Markets Division in Amcorp Group Berhad where he has successfully led a broad range of financial service endeavours during his 24 years' tenure in the company.

He has more than 30 years of experience in the financial sector, having previously served as a director of ECM Libra Financial Group Berhad and ECM Libra Investment Bank Berhad.

Mr Lum currently sits on the board of two public listed companies, Amcorp Properties Berhad as a Non-Independent Non-Executive Director and RCE Capital Berhad. He also sits on the boards of private companies within Amcorp Group Berhad and MTrustee Berhad.

Mr Lum holds a Bachelor of Economics (Hons) (Business Administration) from the University of Malaya.

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

MR TAN BUN POO
Independent Non-Executive Director

Mr Tan Bun Poo, Robert, a Malaysian, aged 70, was appointed to the Board of the Bank on 5 June 2015 as Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee ("AEC") of the Bank.

Mr Robert Tan is a retired Senior Partner from Messrs. Deloitte KassimChan, Chartered Accountants and he is currently a Partner of Robert Mengkwai & Loo, Chartered Accountants. He is also a director and member of two (2) private limited companies, namely Magnum Noble Sdn Bhd and RMKL Advisory Sdn Bhd.

Mr Robert Tan also sits on the boards of AmMetLife Takaful Berhad (a related company) and three (3) public listed companies, namely Amcorp Properties Berhad, RCE Capital Berhad and UEM Edgenta Berhad.

Mr Robert Tan holds a Bachelor of Commerce degree from the University of Newcastle, Australia. He is a Qualified Chartered Accountant from the Institute of Chartered Accountants Australia and New Zealand. He is a member of the Malaysian Institute of Accountants ("MIA"), Malaysian Institute of Certified Public Accountants, Malaysian Institute of Taxation and a Fellow of the Institute of Chartered Accountants, Australia and New Zealand. Mr Robert Tan also serves on the board of the Auditing and Assurance Standards Board of MIA.

MR RAMESH PILLAI
Independent Non-Executive Director

Mr Ramesh Pillai, a Malaysian, aged 56, was appointed to the Board of the Bank on 9 January 2017 as Independent Non-Executive Director. He is the Chairman of the Risk Management Committee of the Bank.

Mr Ramesh started his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 34 years of risk management experience, in both public and private sectors and has held various positions, including that of Chief Executive Officer, Finance Director and Group Chief Risk Officer (in Conventional and Islamic banks). He was also with Pengurusan Danaharta Nasional as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

Mr Ramesh is currently the Chairman of the Board of Governors of the Institute of Enterprise Risk Practitioners (providing professional certification in Enterprise Risk Management) as well as the Group Managing Director of Friday Concepts (International), an international boutique governance, risk management and compliance ("GRC") consultancy. He is also an Independent Non-Executive Director of AmGeneral Insurance Berhad (a related company), Gibraltar BSN Life Berhad and Insurans Islam Taib Holdings Sdn Bhd Group of Companies in Brunei.

Mr Ramesh holds a Bachelor of Science (Honours) in Economics with Accountancy from Loughborough University, United Kingdom, where he specialised in Economics and Banking in general, and Islamic Banking in particular. He is a fellow of the Institute of Chartered Accountants in England and Wales (1991) and is a member of the MIA, a Certified Enterprise Risk Manager, a Certified Risk Professional, a Qualified Risk Director, a Certified Islamic Enterprise Risk Manager and a Qualified Risk Auditor.

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

MS CHEE LI HAR
Independent Non-Executive Director

Ms Chee Li Har, a Malaysian, aged 60, was appointed to the Board of the Bank on 8 August 2018 as Independent Non-Executive Director. She is a Member of the Audit and Examination Committee and Risk Management Committee of the Bank.

Ms Chee is also the Chairman/Non-independent Non-Executive Director of AmIslamic Funds Management Sdn Bhd, a wholly-owned subsidiary of the Bank.

Ms Chee has over 3 decades of international and Malaysian banking experience. Her areas of specialization are in Global Markets revenue generation, client solutioning, Bank-wide asset and liability management, risk management as well as products strategy.

She led and developed winning teams in South East Asia and Mauritius while operating from Singapore and Malaysia. She was instrumental in managing post merger initiatives in Taiwan and Thailand.

Her deep working knowledge in South East Asia could prove to be invaluable in serving public listed companies with a regional footprint. Ms Chee's strong balance sheet management skill is advantageous in meeting some of the contemporary challenges facing many public listed companies in Malaysia. Her high performance orientation on a backdrop of strong compliance is an important and applicable trait that would serve Boards of companies well.

As a C-suite, Ms Chee was heavily involved in human capital development of the organisations by way of contributing to the formation of the management associate programs, coaching and championing for equal opportunities based on meritocracy and running corporate social responsibility initiatives.

Ms Chee, being an artist herself, is also the founder of niche creative brands named CHeeKS and GoCHeeKS. She is also a director and a member of ET One Technology.

Ms Chee holds a Bachelor of Arts-Economics from University of Malaya and she has a Persatuan Kewangan Malaysia Certification ("PKMC").

MR SEOW YOO LIN
Independent Non-Executive Director

Mr Seow Yoo Lin, a Malaysian, aged 65, was appointed to the Board of the Bank on 15 October 2018 as Independent Non-Executive Director. He is a Member of the Audit and Examination Committee of the Bank.

Mr Seow also sits on the board of AMMB Holdings Berhad, the holding company of the Bank. He is a Chairman of AMMB Audit and Examination Committee.

Mr Seow joined KPMG Malaysia in 1977 and qualified as a Certified Public Accountant in 1980. In 1983, he was seconded to KPMG United States to gain overseas experience, specialising in banking assignments. He returned in 1985 and was admitted as Partner in 1990.

He has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. In addition, he held various leadership roles including those of Human Resources Partner, Partner-in-charge of Financial Services and a member of the KPMG Asia Pacific Board.

He was a member of Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2011 and a council member of the Malaysian Institute of Accountants from 2007 to 2011. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

Mr Seow's other directorships include Southern Steel Berhad and Hume Industries Berhad.

CORPORATE GOVERNANCE (CONT'D.)

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

MR SEOW YOO LIN (CONT'D.)
Independent Non-Executive Director (Cont'd.)

Mr Seow holds a Master of Business Administration degree from the International Management Centre, Buckingham, United Kingdom. He is a member of MIA, Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Management ("MIM").

DATO' KONG SOOI LIN
Independent Non-Executive Director

Dato' Kong Sooi Lin, a Malaysian, aged 59, was appointed to the Board of the Bank on 30 October 2019 as Independent Non-Executive Director. She is a Member of the Risk Management Committee of the Bank.

Dato' Kong also sits on the board of AMMB Holdings Berhad, the holding company of the Bank. She is a chairperson of AMMB Risk Management Committee.

Dato' Kong has more than 30 years of investment banking experience with an extensive equity and debt transaction expertise, having advised on numerous high profiled and industry-shaping corporate exercises in Malaysia and Asia Pacific.

Dato' Kong was the Chief Executive Officer of CIMB Investment Bank from March 2016 to March 2019, where her primary focus was to lead and sustain the growth of investment banking business in terms of revenue, profit and innovation. Prior to this, she was the Regional Head of Investment Banking of CIMB of the ASEAN Region.

During this period, her scope of responsibilities included being the Group Head of Private Banking where her responsibility was to helm CIMB's Private Banking business by building greater linkage between the business units across various geographies with the aim of growing assets under management and profitability.

Dato' Kong is currently an Independent Non-Executive Director of Eco World International Berhad and Malaysia Venture Capital Management Berhad.

Dato' Kong holds a Bachelor of Commerce (Honours) from University of New South Wales. She is also a Chartered Banker of Asian Institute of Chartered Bankers ("AICB"), Chartered Accountant of MIA and Certified Practicing Accountant of Australia (Fellow).

(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, 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, Schedule of Matters Reserved for the Board, amongst others.

Apart from attending the Financial Institutions Directors' Education ("FIDE") Programme, accredited by International Centre for Leadership In Finance ("ICLIF"), and Capital Market Director Programme ("CMDP"), accredited by Securities Industry Development Corporation ("SIDC"), all Directors appointed to the Board, have also attended other relevant training programmes, talks, seminars, dialogue sessions and focus group sessions organised by the regulatory authorities, FIDE Forum (an alumni association for Financial Institutions Directors) and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank.

CORPORATE GOVERNANCE (CONT'D.)

(b) DIRECTORS' TRAINING (CONT'D.)

The Directors also attend off-site Strategy Meetings to have an in-depth understanding and continuous engagement with Management pertaining to the AMMB Group'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.

(c) BOARD RESPONSIBILITY AND OVERSIGHT

The Board remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Bank and its subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012.

The Board supervises the Management of the Bank's businesses, policies and affairs with the goal of long-term sustainability of the Group. The Board meets ten (10) times in 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 shareholders' 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 seven (7) Directors with wide skills and experience, six (6) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. 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 members of Senior Management team of the Bank are 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. Group Nomination and Remuneration Committee (at AMMB Group level); and
4. Group Information Technology Committee (at AMMB Group level).

The roles and responsibilities of each Board Committee are set out under their respective terms of reference, which have been approved by the Board. The minutes of the Board Committee meetings are tabled at the subsequent Board meetings for comment and 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 ("FY") 2021

Directors	**Board of Directors**	**Audit and Examination Committee**	**Risk Management Committee**
Jeyaratnam A/L Tamotharam Pillai	10/10 (Chairman)	N/A	N/A
Tan Bun Poo	10/10	7/7 (Chairman)	N/A
Ramesh Pillai	10/10	N/A	7/7 (Chairman)
Chee Li Har	10/10	7/7	7/7
Seow Yoo Lin	10/10	7/7	N/A
Lum Sing Fai	10/10	N/A	7/7
Dato' Kong Sooi Lin	10/10	N/A	7/7
Number of meetings held in FY2021	10	7	7

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

AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee ("AEC") comprises three (3) members, all of whom are Independent Non-Executive Directors.

The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank's assets and stakeholders' interest.

The AEC met seven (7) times during the financial year ended 31 March 2021 to review 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 AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the audit reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seeks approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions to ensure such transactions were carried out at arms-length.

CORPORATE GOVERNANCE (CONT'D.)

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

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 and 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 also attends the AEC meetings by invitation and the AEC holds separate meetings with the Group Chief Internal Auditor and the external auditors, whenever necessary.

The scope of internal audit includes review of risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

Group Internal Audit prioritises its efforts in performing audits in accordance with the audit plan, which is prioritised 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 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 Group'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 Appetite Framework and sets the broad risk tolerance level and approves 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, regulatory capital, strategic, Shariah and cyber security risks impacting the Bank. They are assisted by AMMB Group Risk Management.

The Committee is independent from Management and comprises four (4) members, three (3) of whom, including the Chairman 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.

There were seven (7) meetings held during the financial year ended 31 March 2021.

RISK MANAGEMENT FUNCTION

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, 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 approved annually taking into account the AMMB Group's desired external rating and targeted profitability/return on risk-weighted assets ("RWA") and is reviewed periodically throughout the financial year to take account of prevailing or expected changes to the operating environment.

CORPORATE GOVERNANCE (CONT'D.)

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

RISK MANAGEMENT FUNCTION (CONT'D.)

AMMB Group has a Technology Risk Management Framework that is designed to protect AMMB Group's information assets against internal and external risks and threats. It is our objective to ensure that our Technology Risk Management Framework is continuously enhanced and robustly tested to safeguard AMMB Group's and our customers' data from potential cyber-attacks.

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 is chaired by an Independent Non-Executive Director. The Bank is represented by Mr Seow Yoo Lin in the Committee. The Committee is responsible for, among others, the following:

- regularly reviewing the Board structure, size and composition, as well as making recommendations 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 contribution 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 Officers 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 Scheme as approved by the shareholders of AMMB.

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

GROUP INFORMATION TECHNOLOGY COMMITTEE

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 Group Information Technology Committee ("GITC") is responsible for providing governance for Information Technology ("IT") and to ensure that the overall strategic IT direction is aligned with 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 AMMB Group and ensuring that IT, digitalisation and technology-related innovation strategic plans are aligned and integrated with AMMB Group's business objectives and strategy;
- To ensure the establishment of 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 management information systems;
- To provide oversight of 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 AMMB Group;

CORPORATE GOVERNANCE (CONT'D.)

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

GROUP INFORMATION TECHNOLOGY COMMITTEE (CONT'D.)

- To oversee the adequacy and utilisation of AMMB Group's IT resources including computer hardware, software, personnel who are 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 financial, tactical and strategic benefits of proposed significant information technology-related projects and initiatives; and
- To be responsible for overall oversight function of 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

The Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment. These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

HOLDING COMPANY

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

RATING BY EXTERNAL AGENCY

From a credit rating perspective, we believe in providing our stakeholders with an independent view of the Bank. As such, we continue to maintain credit ratings with RAM Rating Services Berhad.

Details of the Bank's ratings are as follows:

Rating Agency	Date accorded	Rating Classification	Ratings
RAM Rating Services	5 March 2021	Long-term financial institution rating	AA3
		Short-term financial institution rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

The Bank leverages on the Shariah Committee of AmBank Islamic Berhad ("AmBank Islamic"), a related company, for advice and guidance on Shariah related operational matters.

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 business operations of the Bank comply with Shariah principles at all times;
ii. To review and endorse the Shariah aspects of policies and procedures of the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah principles;
iii. To review and approve the terms and conditions, agreements or other legal documentation used in executing the transactions in relation to Islamic capital market products to ensure that the products are in compliance with Shariah principles;
iv. To assess the work carried out by Group Internal Audit relating to the Shariah Audit function and the Shariah Risk Management function in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report;
v. To provide assistance to related parties of the Bank such as its legal counsel, auditor or consultant on Shariah matters upon request;
vi. To advise the Bank to consult the Shariah Advisory Council ("SAC") of BNM or the Securities Commission ("SC") on any Shariah matters that could not be resolved by the Committee; and
vii. To provide written Shariah pronouncements/confirmations to the SAC of SC for Islamic capital market products, as and when required.

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

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

i. To determine and confirm actual and potential Shariah non-compliance incidents and endorse corresponding rectifications plans;
ii. To recommend alternative ways to rectify issues identified through Shariah Audit, Shariah Review and Shariah Risk Management activities and other sources;
iii. To provide advice on the recognition of income pursuant to Shariah non-compliance incidents and its disposal; and
iv. To recommend possible implementation methods to improve the Bank's Shariah business activities in line with applicable statutes and guidelines/ policies/ circulars issued by relevant regulatory bodies.

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:-

[#]exclude AmBank Islamic's ad-hoc meetings

SHARIAH COMMITTEE (CONT'D.)

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 financial year 2021	6	11

*Note: Tenure ended 31 March 2021

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 27 to the financial statements.

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

JEYARATNAM A/L TAMOTHARAM PILLAI

TAN BUN POO

Kuala Lumpur, Malaysia
31 May 2021

Registration No.197501002220 (23742-V)

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

We, **JEYARATNAM A/L TAMOTHARAM PILLAI** and **TAN BUN POO,** being two of the Directors of **AmINVESTMENT BANK BERHAD,** do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 24 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2021 and of their financial performance and cash flows for the financial year then ended.

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

JEYARATNAM A/L TAMOTHARAM PILLAI

TAN BUN POO

Kuala Lumpur, Malaysia
31 May 2021

Registration No.197501002220 (23742-V)

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 164 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

Before me,

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

COMMISSIONER FOR OATHS

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

Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
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Fax: +603 2095 5332 (General line)
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+603 2095 9078
ey.com

Registration No. 197501002220 (23742-V)

Independent auditors' report to the member of AmInvestment Bank Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmInvestment Bank Berhad, which comprise the statements of financial position as at 31 March 2021 of the Group and of the Bank, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the 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 24 to 164.

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

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and 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 Ethics Standards Board for Accountants' 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 the IESBA Code.

Building a better working world

Registration No. 197501002220 (23742-V)

Independent auditors' report to the member of AmInvestment Bank 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 Directors' report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and 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, 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 financial statements of the Group and 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 Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and 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 Group or 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 Group and 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.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and 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 Group's and 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 Group's or 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 of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

Registration No. 197501002220 (23742-V)

**Independent auditors' report to the member of
AmInvestment Bank Berhad (cont'd.)
(Incorporated in Malaysia)**

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and 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 Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 14 to the financial statements.

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

Lee Pei Yin
No. 03189/05/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
31 May 2021

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
ASSETS					
Cash and short-term funds	6	235,109	285,606	135,624	211,715
Financial assets at fair value through profit or loss	8	-	48	-	48
Financial investments at fair value through other comprehensive income	9	2,995	2,771	2,995	2,771
Financial investments at amortised cost	10	105,007	135,032	105,007	135,032
Loans and advances	11	512,628	310,408	512,628	310,408
Statutory deposit with Bank Negara Malaysia	12	6,504	2,650	6,504	2,650
Deferred tax assets	13	8,351	10,086	5,742	7,131
Investment in subsidiaries	14	-	-	51,441	56,256
Other assets	15	625,159	620,216	599,057	591,277
Property and equipment	16	17,157	17,670	16,807	17,176
Right-of-use assets	17	3,904	4,659	3,904	4,659
Intangible assets	18	38,792	37,971	1,872	1,116
TOTAL ASSETS		1,555,606	1,427,117	1,441,581	1,340,239
LIABILITIES AND EQUITY					
Deposits and placements of a bank	19	585,000	240,000	585,000	240,000
Derivative financial liabilities	7	8	6	8	6
Other liabilities	20	510,675	588,138	489,339	580,777
TOTAL LIABILITIES		1,095,683	828,144	1,074,347	820,783
Share capital	21	330,000	200,000	330,000	200,000
Reserves	22	129,923	398,973	37,234	319,456
Equity attributable to equity holder of the Bank		459,923	598,973	367,234	519,456
TOTAL LIABILITIES AND EQUITY		1,555,606	1,427,117	1,441,581	1,340,239
COMMITMENTS AND CONTINGENCIES	38	243,243	149,807	243,243	149,807
NET ASSETS PER ORDINARY SHARE (RM)		1.46	2.99	1.17	2.60

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		Group		Bank	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating revenue	2.5(s)	312,014	276,603	221,628	194,510
Interest income	23	32,463	31,698	31,154	30,285
Interest expense	24	(6,009)	(9,675)	(5,789)	(9,457)
Net interest income		26,454	22,023	25,365	20,828
Net income from operations of Islamic banking	48(xv)	8,523	25,458	8,523	25,458
Other operating income	25	410,944	294,865	267,234	174,919
Direct costs	26	(139,916)	(75,424)	(85,283)	(36,158)
Net income		306,005	266,922	215,839	185,047
Other operating expenses	27	(174,834)	(184,618)	(114,910)	(122,228)
Operating profit		131,171	82,304	100,929	62,819
Writeback of/(allowances for) impairment on:					
Loans and advances	29	3,169	(132)	3,169	(132)
Other financial assets	30	154	(712)	297	(586)
Writeback of/(allowances for) provision for commitments and contingencies	20	832	(232)	832	(232)
Other recoveries		11	29	11	34
Apportionment of the Settlement cost	47	(295,000)	-	(295,000)	-
(Loss)/profit before taxation		(159,663)	81,257	(189,762)	61,903
Taxation	31	(38,430)	(17,589)	(24,000)	(8,816)
(Loss)/profit for the financial year attributable to equity holder of the Bank		(198,093)	63,668	(213,762)	53,087
Basic/diluted (loss)/earnings per share (sen)	32	(98.7)	31.8		

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the financial year		(198,093)	63,668	(213,762)	53,087
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss					
Equity instruments at fair value through other comprehensive income					
Net unrealised gains/(losses) on changes in fair value		224	(118)	224	(118)
Tax effect	13	316	28	316	28
		540	(90)	540	(90)
Items that may be reclassified subsequently to profit or loss					
Currency translation on foreign operations, net		(2,497)	57	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(1,957)	(33)	540	(90)
Total comprehensive (loss)/income for the financial year attributable to equity holder of the Bank		(200,050)	63,635	(213,222)	52,997

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

	<------Attributable to equity holder of the Bank------>							
		Non-distributable					Distributable	
Group	**Share capital RM'000**	**Capital reserve RM'000**	**Regulatory reserve RM'000**	**Merger reserve RM'000**	**Fair value reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2019	200,000	2,815	4,674	82,115	1,089	2,440	278,205	571,338
Profit for the financial year	-	-	-	-	-	-	63,668	63,668
Other comprehensive (loss)/income	-	-	-	-	(90)	57	-	(33)
Total other comprehensive (loss)/income	-	-	-	-	(90)	57	63,668	63,635
Transfer to regulatory reserve	-	-	238	-	-	-	(238)	-
Dividends paid (Note 33)	-	-	-	-	-	-	(36,000)	(36,000)
Transactions with owner and other equity movements	-	-	238	-	-	-	(36,238)	(36,000)
At 31 March 2020	200,000	2,815	4,912	82,115	999	2,497	305,635	598,973

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONT'D.)

	<---Attributable to equity holder of the Bank--->							
		Non-distributable					Distributable	
Group	**Share capital RM'000**	**Capital reserve RM'000**	**Regulatory reserve RM'000**	**Merger reserve RM'000**	**Fair value reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2020	200,000	2,815	4,912	82,115	999	2,497	305,635	598,973
Loss for the financial year	-	-	-	-	-	-	(198,093)	(198,093)
Other comprehensive income/(loss)	-	-	-	-	540	(2,497)	-	(1,957)
Total comprehensive income/(loss)	-	-	-	-	540	(2,497)	(198,093)	(200,050)
Issue of new shares (Note 21)	130,000	-	-	-	-	-	-	130,000
Transfer from regulatory reserve*	-	-	(4,912)	-	-	-	4,912	-
Dividends paid (Note 33)	-	-	-	-	-	-	(69,000)	(69,000)
Transactions with owner and other equity movements	130,000	-	(4,912)	-	-	-	(64,088)	61,000
At 31 March 2021	330,000	2,815	-	82,115	1,539	-	43,454	459,923

* 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, banking institutions are expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021. The Bank has elected for this relief measure, hence had transferred the entire balance in regulatory reserve to retained earnings in the current financial year ended 31 March 2021.

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONT'D.)

	<------Attributable to equity holder of the Bank------->				
		Non-distributable		Distributable	
Bank	**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	200,000	4,674	1,089	296,696	502,459
Profit for the financial year	-	-	-	53,087	53,087
Other comprehensive loss	-	-	(90)	-	(90)
Total comprehensive (loss)/income	-	-	(90)	53,087	52,997
Transfer to regulatory reserve	-	238	-	(238)	-
Dividends paid (Note 33)	-	-	-	(36,000)	(36,000)
Transactions with owner and other equity movements	-	238	-	(36,238)	(36,000)
At 31 March 2020	200,000	4,912	999	313,545	519,456

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONT'D.)

	<----Attributable to equity holder of the Bank------->				
		Non-distributable		Distributable	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2020	200,000	4,912	999	313,545	519,456
Loss for the financial year	-	-	-	(213,762)	(213,762)
Other comprehensive income	-	-	540	-	540
Total comprehensive income/(loss)	-	-	540	(213,762)	(213,222)
Issue of new shares (Note 21)	130,000	-	-	-	130,000
Transfer from regulatory reserve*	-	(4,912)	-	4,912	-
Dividend paid (Note 33)	-	-	-	(69,000)	(69,000)
Transactions with owner and other equity movements	130,000	(4,912)	-	(64,088)	61,000
At 31 March 2021	330,000	-	1,539	35,695	367,234

* 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, banking institutions are expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021. The Bank has elected for this relief measure, hence had transferred the entire balance in regulatory reserve to retained earnings in the current financial year ended 31 March 2021.

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before taxation:		(159,663)	81,257	(189,762)	61,903
Adjustments for:					
(Writeback of)/allowances for impairment on loans and advances	29	(135)	132	(135)	132
Amortisation of intangible assets	27	891	973	704	800
Net amortisation of premium for securities		26	293	26	293
Depreciation of property and equipment	27	2,178	2,044	1,956	1,773
Depreciation of right-of-use assets	27	755	1,541	755	1,541
Dividend income from financial assets at fair value through profit or loss	25	-	(2)	-	(2)
Dividend income from financial investments at fair value through other comprehensive income	25	(244)	(195)	(244)	(195)
Dividend income from subsidiaries	25	-	-	(35,250)	(26,370)
Finance costs	27	137	126	137	126
Net gain on disposal of property and equipment	25	(2)	(21)	(2)	(21)
Net loss/(gain) on derivatives	25	2	(2)	2	(2)
Net loss/(gain) on revaluation of financial assets at fair value through profit or loss	25	3	(33)	3	(33)
Gain on liquidation of subsidiary	25	(2,457)	-	(9,502)	-
Net (gain)/loss from sale of financial assets at fair value through profit or loss	25	(12)	33	(12)	33
(Writeback of)/provision for commitments and contingencies	20(b)	(832)	232	(832)	232
(Writeback of allowance)/allowances for impairment on other financial assets	30	(154)	712	(297)	586
Scheme shares granted under AMMB Executives' Share Scheme	27	5,784	4,024	4,430	3,297
Net loss/(gain) on foreign exchange	25	682	(1,150)	343	(1,312)
Net (gain)/loss on non-trading foreign exchange		(147)	3	-	-
Operating (loss)/profit before working capital changes carried forward		(153,188)	89,967	(227,680)	42,781

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating (loss)/profit before working capital changes brought forward		(153,188)	89,967	(227,680)	42,781
Decrease/(Increase) in operating assets:					
Financial assets at fair value through profit or loss		57	380	57	380
Loans and advances		(202,085)	(9,825)	(202,085)	(9,825)
Statutory deposit with Bank Negara Malaysia		(3,854)	2,334	(3,854)	2,334
Other assets		(36,262)	(58,975)	(34,658)	(57,654)
Increase/(Decrease) in operating liabilities:					
Deposits and placements of banks and other financial institutions		345,000	(60,000)	345,000	(60,000)
Other liabilities		(75,737)	84,740	(89,672)	94,523
Cash (used in)/generated from operations		(126,069)	48,621	(212,892)	12,539
Taxation (paid)/refund, net		(11,229)	(29,252)	103	(19,878)
Net cash (used in)/generated from operating activities		(137,298)	19,369	(212,789)	(7,339)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from subsidiaries	25	-	-	35,250	26,370
Dividends received from other investments	25	244	195	244	195
Proceeds from disposal of property and equipment		2	26	2	26
Proceeds from disposal of securities		30,000	-	30,000	-
Purchase of intangible assets	18(b)	(1,712)	(384)	(1,460)	(166)
Purchase of property and equipment	16	(1,665)	(1,911)	(1,587)	(1,817)
Capital return from a subsidiary liquidated during the year		-	-	14,317	-
Net cash generated from/(used in) investing activities		26,869	(2,074)	76,766	24,608

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issuance of new ordinary shares	21	130,000	-	130,000	-
Dividends paid	33	(69,000)	(36,000)	(69,000)	(36,000)
Payment of finance lease	20 (c)	(1,070)	(1,240)	(1,070)	(1,240)
Net cash generated from/(used in) financing activities		59,930	(37,240)	59,930	(37,240)
Net decrease in cash and cash equivalents		(50,499)	(19,945)	(76,093)	(19,971)
Cash and cash equivalents at beginning of the financial year		285,608	305,496	211,717	231,688
Effect of exchange rate changes		-	57	-	-
Cash and cash equivalents at end of the financial year		235,109	285,608	135,624	211,717
Cash and cash equivalents comprise:					
Cash and bank balances	6	174,412	144,336	74,927	70,445
Deposit placements with licensed banks and other financial institutions	6	60,697	141,272	60,697	141,272
		235,109	285,608	135,624	211,717
Cash and short-term funds	6	235,109	285,606	135,624	211,715
Add:					
Allowances for expected credit loss	6	-	2	-	2
Cash and cash equivalents at end of the financial year		235,109	285,608	135,624	211,717

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

1. CORPORATE INFORMATION

The Bank is a public limited liability company, 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 Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Bank is to provide a wide range of investment banking and related financial services which also include Islamic Banking business, investment advisory, shares and futures broking, fund management and investment research and publication activities.

The Islamic Banking business refers to the stockbroking and capital market activities undertaken in compliance with Shariah principles relating to investment banking services which are regulated by Securities Commission and Bursa Malaysia Berhad.

The principal activities of the Bank's subsidiaries are as disclosed in Note 14.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

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

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

2.2 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the 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.

2.3 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 40.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

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

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

The Group controls an investee, if and only if, the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, control is established when the Group holds a majority of the voting rights of an investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the size of the Group's voting rights and potential voting rights relative to the size and dispersion of voting rights and potential rights held by the other vote holders.

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies

2.5(a) Business combinations and goodwill

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(a) Business combinations and goodwill (Cont'd.)

The Group applies merger accounting to account for business combinations between entities under common control. Under merger accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate common control shareholder and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year results. The comparative information is restated to reflect the combined results of both entities.

2.5(b) Investments in subsidiaries

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

2.5(c) Foreign currencies

i. Functional and presentation currency

The individual financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements and the Bank's separate 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 entities within the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(c) Foreign currencies (Cont'd.)

iii. Foreign subsidiaries and operations

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their profit or loss items are translated at the average exchange rates for the financial year.

The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is reclassified to profit or loss.

2.5(d) 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 Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short-term lease (whichever is shorter)
Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.3%
Office equipment, furniture and fittings	10% - 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 the 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.)

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

2.5(e) 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 Group and 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 Group and the Bank.

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and 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 Group and the Bank use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(e) Leases (Cont'd.)

ii. The Group and the Bank as lessor

Leases in which the Group and the Bank do 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.

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(g) Financial instruments – initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

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

iii. "Day 1" profit or loss

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

2.5(h) Financial assets – classification and subsequent measurement

The Group and the Bank classify its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

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

(i) Debt instruments

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

Business model
The business model reflects how the Group and the Bank manage the financial assets in order to generate cash flows. That is, whether the Group's and the Bank's objectives are solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Group and the 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.)

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

2.5(h) Financial assets – classification and subsequent measurement (Cont'd.)

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(h) Financial assets – classification and subsequent measurement (Cont'd.)

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

(ii) Reclassification of debt investments

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

(iii) Equity instruments

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

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

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

2.5(i) Financial liabilities – classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:
- financial liabilities at FVTPL; and
- loan commitments (see Note 2.5(r)).

(i) Amortised cost

Financial liabilities issued by the Group and 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 Group and 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 borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(i) Financial liabilities – classification and subsequent measurement (Cont'd.)

(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.

2.5(j) Derecognition of financial instruments

(i) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group and the Bank have transferred rights to receive cash flows from the asset or have assumed obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
  - the Group and the Bank have transferred substantially all the risks and rewards of the asset; or
  - the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

(ii) Modification of loans and advances

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(j) Derecognition of financial instruments (Cont'd.)

(ii) Modification of loans and advances (Cont'd.)

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate 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 EIR.

(iii) Derecognition of financial liabilities

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

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

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

2.5(k) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial assets at FVOCI and derivatives at fair value at each reporting date.

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(k) 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 Group and the Bank use 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 Group and the Bank determine 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:

i) financial instruments that are measured at fair value are disclosed in Note 43.
ii) financial assets and financial liabilities that are not measured at fair value, but for which fair value is disclosed, are also disclosed in Note 43.

2.5(l) Financial instruments - expected credit losses

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(l) Financial instruments - expected credit losses (Cont'd.)

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

The methodology applied in measuring ECL are explained in Note 42.2.4.

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

(i) Rescheduled and restructured loans

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

(ii) Collateral valuation

The Group and the Bank seek to use collateral, where possible, to mitigate risks on financial assets. The collateral comes in various forms such as cash, securities, real estate and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group’s and 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 Group and the Bank use 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 42.2 for further analysis of collateral).

(iii) Collateral repossessed

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(m) 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.

2.5(n) Impairment of non-financial assets

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

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

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

The following assets have specific characteristics for impairment testing:

i. Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

ii. Intangible assets

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(o) 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 statements of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than 3 months, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

2.5(p) Provisions

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

2.5(q) 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 reliably. The contingent liability is not recognised but instead is disclosed in the financial statements.

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and of the Bank is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and of the Bank.

The Group and the Bank do not recognise contingent assets in the financial statements but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

2.5(r) Loan commitments

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(s) Recognition of income and expenses

Operating revenue of the Group comprises of all types of revenue, mainly gross interest income, fee and commission earned, net of related direct costs and other income derived from investment banking, nominee services and fund management.

Operating revenue of the Bank comprises of gross interest income, fee and commission earned, net of related direct costs, and other income derived from investment banking operations.

a) Recognition of income and expenses relating to financial instruments

i. Interest/financing income and similar income and expense

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

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

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

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

ii. Dividend income

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

iii. Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets at FVTPL.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(s) Recognition of income and expenses (Cont'd.)

b) Recognition of revenue from contracts with customers

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

A contract with customer exists when the contract has commercial substance, the Group and the Bank and their customers have approved the contract and intend to perform their respective obligations, the Group’s and 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 Group and the Bank will collect the consideration entitled to in exchange of those goods or services.

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(s) Recognition of income and expenses (Cont'd.)

b) Recognition of revenue from contracts with customers (Cont'd.)

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

Fee and commission income

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

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

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

ii. Fee income from providing transaction services

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

2.5(t) Employee benefits

i. Short-term benefits

Wages, salaries, bonuses and social security contributions that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and 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 Group and the Bank make contributions to the Employee Provident Fund ("EPF"), as well as defined contribution private retirement schemes in Malaysia. Such contributions are recognised as an expense in profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Bank have 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 Group and the Bank recognise termination benefits when the Group and the Bank 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.)

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

2.5(t) Employee benefits (Cont'd.)

iv. Share-based payment transactions

The holding company, AMMB Holdings Berhad ("AMMB"), operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("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 Group and 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.

2.5(u) 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.

2.5(v) 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 the income statement. 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(v) Taxes (Cont'd.)

ii. Deferred tax (Cont'd.)

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(w) Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares in Note 32. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Group by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.5(x) Segment reporting

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

The business segment results are prepared based on the Group’s internal management reporting. The Group's segmental reporting is based on the following two operating segments: investment banking and group funding and others, as disclosed in Note 44.

2.5(y) 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.

2.5(z) Fiduciary assets

The Group and the Bank provide trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not recognised as assets of the Group and the Bank. This includes monies in trust as disclosed in Note 39.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of amendments and annual improvements to standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to published standards which became effective for the first time for the Group and the Bank on 1 April 2020.

- 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 to 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 Group and of the Bank. The Group and the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to published standards.

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

3.1(a) Amendments to References to the Conceptual Framework in MFRS Standards

The amendments, affecting nine published standards and five published interpretations, were issued as a consequence to the issuance of the revised Conceptual Framework for Financial Reporting ("Conceptual Framework"). The references and quotations in these published standards and interpretations to the Conceptual Framework have been updated so as to clarify the version of the Conceptual Framework these published standards and interpretations refer to. The adoption of these amendments did not result in any impact to the financial statements of the Group and of the Bank.

3.1(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 dividends, 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.

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

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgements. The adoption of these amendments did not result in any impact to the financial statements of the Group and of the Bank.

3.1(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 Group to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Group now assumes that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform in its hedge effectiveness assessments.

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

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

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

3.1(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 modifications. The amendments apply to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022.

This amendment did not result in any impact to the Group and the Bank for the financial year and is not expected to have any impact to the Group and the Bank in the next financial year as the Group and the Bank have not revised or are seeking any revision to lease payments in its lease arrangements as a consequence of the COVID-19 pandemic.

3.2 Standards issued but not yet effective

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

	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)	01 January 2021
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137)	01 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3)	01 January 2022
Annual Improvements to MFRS Standards 2018-2020	01 January 2022
MFRS 17 *Insurance Contracts*	01 January 2023
Amendments to MFRS 17	01 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)	01 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101)	01 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108)	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

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

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

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

3.2a Amendments to published Standards effective for financial year ending 31 March 2022

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

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

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

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

The discontinuation of London Interbank Offer Rate ("LIBOR") by end 2021 and the transition to alternative RFRs poses challenges for banks globally. The transition away from LIBOR could have significant legal, valuation, accounting, risk management and system implication for the banking industry.

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.

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 AmBank, AmBank Islamic and 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.)

3.2b 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 it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments without restatement of comparative information. The cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. Early adoption is permitted.

Reference to the Conceptual Framework (Amendments to MFRS 3)

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

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

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

3.2b Amendments to published Standards effective for financial year ending 31 March 2023 (Cont'd.)

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.

(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.

3.2c 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 Group and the Bank present all assets and liabilities in the statements of financial position in order of liquidity.

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

3.2c Amendments to published Standards effective for financial year ending 31 March 2024 (Cont'd.)

Disclosure of Accounting Policies (Amendments to MFRS 101)

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

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

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

Definition of Accounting Estimates (Amendments to MFRS 108)

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

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

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

3.2d Standard deferred to a date to be determined by MASB

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

The amendments clarify that:

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

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

5.1 Measurement of ECL allowances (Notes 6, 11, 15, 29 and 30)

The measurement of the ECL allowances for financial assets measured at amortised cost and FVOCI and loan commitments 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 42.2.4.

Significant judgement is required in applying the accounting requirements for measuring ECL such as:

- 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 number and relative weightings of forward-looking scenarios for each type of major product and the associated ECL; for the current 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 Group's and the Bank's internal credit grading model which assigns Probability of Default ("PD") to the individual grades.

5.2 Lease term of agreements with renewal options (Note 17)

The Group and the Bank determine 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.

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

5.2 Lease term of agreements with renewal options (Note 17) (Cont'd.)

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

5.3 Impairment of goodwill (Note 18 (a))

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

5.4 Deferred tax assets (Note 13) and current year's provisioning on income taxes (Note 31)

The Group’s and 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.

5.5 Fair value measurement of financial instruments (Notes 7, 8, 9 and 43)

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, judgement is required to establish fair values. Judgements and basis as disclosed in Note 43 include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates.

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	174,412	144,336	74,927	70,445
Deposit placements maturing within one month:				
Licensed banks	21,400	127,400	21,400	127,400
Bank Negara Malaysia	25,000	-	25,000	-
Other financial institutions	14,297	13,872	14,297	13,872
	235,109	285,608	135,624	211,717
Less: Allowances for ECL				
- Stage 1 - 12-month ECL	-	(2)	-	(2)
	235,109	285,606	135,624	211,715

Movements in allowances for ECL:

Group and Bank	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	6	1	7
Transfer from Stage 1 to Stage 2 (Note 30)	(4)	(1)	(5)
Balance at end of the financial year	2	-	2
2021			
Balance at beginning of the financial year	2	-	2
Net remeasurement of allowances (Note 30)	(2)	-	(2)
Balance at end of the financial year	-	-	-

Movement of ECL during the year was due to decrease in balance held with foreign banks.

7. DERIVATIVE FINANCIAL LIABILITIES

Group and Bank	2021		2020	
	Contract/ Notional Amount RM'000	Fair Value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Liabilities RM'000
Trading derivatives				
Foreign exchange related contracts:				
One year or less	1,346	8	489	4
Equity related contracts:				
One year or less	-	-	64	2
Total	1,346	8	553	6

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
At Fair Value		
Quoted securities:		
In Malaysia:		
Unit trusts	-	48

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
At Fair Value		
Unquoted securities:		
In Malaysia:		
Shares	2,977	2,754
Outside Malaysia:		
Shares	18	17
	2,995	2,771

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

	Fair value		Dividend income (Note 25)	
Group and Bank	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Unquoted securities in Malaysia:				
Malaysian South-South Corporation Berhad	2,977	2,754	244	195
Unquoted securities outside Malaysia:				
S.W.I.F.T SCRL	18	17	-	-
	2,995	2,771	244	195

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

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

10. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
At Amortised Cost		
Money market securities:		
Malaysian Government Investment Issues	30,007	60,032
Unquoted Securities:		
In Malaysia:		
Corporate bonds	75,000	75,000
	105,007	135,032

11. LOANS AND ADVANCES

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
At Amortised Cost		
Share margin financing	504,253	300,428
Revolving credits	7,751	11,065
Staff loans	625	722
Gross loans and advances	512,629	312,215
Less:		
Allowances for ECL (Note 11(i)):		
- Stage 1 - 12-month ECL	(1)	(4)
- Stage 3 - Lifetime ECL credit impaired	-	(1,803)
	(1)	(1,807)
Net loans and advances	512,628	310,408

(a) Gross loans and advances analysed by types of customers are as follows:

	Group and Bank 2021 RM'000	Group and Bank 2020 (Restated) Note 46 RM'000
Domestic business enterprises		
- Small and medium enterprises	26,835	11,786
- Others	27,898	45,747
Individuals	453,315	250,133
Foreign individuals and entities	4,581	4,549
	512,629	312,215

(b) All gross loans and advances reside in Malaysia.

(c) Gross loans and advances analysed by interest rate sensitivity are as follows:

	Group and Bank 2021 RM'000	Group and Bank 2020 (Restated) Note 46 RM'000
Fixed rate		
- Other fixed rate loans	504,253	301,020
Variable rate		
- Base Lending Rate-plus	625	130
- Cost-plus	7,751	11,065
	512,629	312,215

11. LOANS AND ADVANCES (CONT'D.)

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

	Group and Bank 2021 RM'000	Group and Bank 2020 (Restated) Note 46 RM'000
Agriculture	1,560	-
Manufacturing	7,030	7,078
Construction	15,764	5,208
Wholesale and retail trade and hotels and restaurants	439	2,227
Real estate	309	333
Business activities	29,631	42,687
Household, of which:	457,896	254,682
- Purchase of residential properties	625	703
- Purchase of transport vehicles	1	19
- Others	457,270	253,960
	512,629	312,215

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

	Group and Bank 2021 RM'000	Group and Bank 2020 (Restated) Note 46 RM'000
Maturing within one year	512,141	311,705
Over one year to three years	9	9
Over three years to five years	120	28
Over five years	359	473
	512,629	312,215

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

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Balance at beginning of the financial year	1,803	1,671
Impaired during the financial year	-	132
Reclassified as performing	(132)	-
Amount written off	(1,671)	-
Balance at end of the financial year	-	1,803
Gross impaired loans and advances as % of gross loans and advances	-	0.58%
Loan loss coverage (including Regulatory Reserve)	-	372.66%

11. LOANS AND ADVANCES (CONT'D.)

(g) All impaired loans and advances reside in Malaysia.

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

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Business activities	-	1,671
Household, of which:		
Others	-	132
	-	1,803

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

Group and Bank	Stage 1 12-Month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020			
Balance at beginning of the financial year	4	1,671	1,675
Allowances for ECL (Note 29):			
Transfer from Stage 1 to Stage 3	-	132	132
Balance at end of the financial year	4	1,803	1,807
2021			
Balance at beginning of the financial year	4	1,803	1,807
Writeback of allowances for ECL (Note 29):	(3)	(132)	(135)
Transfer from Stage 3 to Stage 1	-	(132)	(132)
Net remeasurement of allowances	(3)	-	(3)
Amount written off	-	(1,671)	(1,671)
Balance at end of the financial year	1	-	1

The net decrease in ECL balances in Stage 3 was mainly due to amount written off and settlement of collateral value shortfall of share margin financing.

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest 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 amounts of which are determined as a set percentage of total eligible liabilities. The Statutory Reserve Requirement ("SRR") rate for banking industries is 2.0% of eligible liabilities.

13. DEFERRED TAX ASSETS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Balance at the beginning of the financial year	10,086	6,185	7,131	2,960
Recognised in profit or loss (Note 31)	(2,051)	3,873	(1,705)	4,143
Recognised in other comprehensive income	316	28	316	28
Balance at the end of the financial year	8,351	10,086	5,742	7,131

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

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deferred tax assets	8,351	10,086	5,742	7,131

13. DEFERRED TAX ASSETS (CONT'D.)

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

Group **Deferred tax assets**	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
31 March 2021				
Provision for commitments and contingencies	200	(200)	-	-
Provision for expenses	6,557	(1,130)	-	5,427
Other temporary differences	3,653	(66)	-	3,587
	10,410	(1,396)	-	9,014
31 March 2020				
Provision for commitments and contingencies	144	56	-	200
Provision for expenses	5,961	596	-	6,557
Other temporary differences	650	3,003	-	3,653
	6,755	3,655	-	10,410
Deferred tax liabilities				
31 March 2021				
Deferred charges	-	(436)	-	(436)
Fair value reserve	(316)	-	316	-
Excess of capital allowances over depreciation and amortisation	(8)	(219)	-	(227)
	(324)	(655)	316	(663)
31 March 2020				
Fair value reserve	(344)	-	28	(316)
Excess of capital allowances over depreciation and amortisation	(226)	218	-	(8)
	(570)	218	28	(324)

13. DEFERRED TAX ASSETS (CONT'D.)

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows (Cont'd.):

Bank **Deferred tax assets**	**Balance at beginning of the financial year RM'000**	**Recognised in profit or loss RM'000**	**Recognised in other comprehensive income RM'000**	**Balance at end of the financial year RM'000**
31 March 2021				
Provision for commitments and contingencies	200	(200)	-	-
Provision for expenses	4,252	(593)	-	3,659
Other temporary differences	3,137	(864)	-	2,273
	7,589	(1,657)	-	5,932
31 March 2020				
Provision for commitments and contingencies	144	56	-	200
Provision for expenses	2,976	1,276	-	4,252
Other temporary differences	403	2,734	-	3,137
	3,523	4,066	-	7,589
Deferred tax liabilities				
31 March 2021				
Fair value reserve	(316)	-	316	-
Excess of capital allowances over depreciation and amortisation	(142)	(48)	-	(190)
	(458)	(48)	316	(190)
31 March 2020				
Fair value reserve	(344)	-	28	(316)
Excess of capital allowances over depreciation and amortisation	(219)	77	-	(142)
	(563)	77	28	(458)

14. INVESTMENT IN SUBSIDIARIES

	Bank 2021 RM'000	Bank 2020 RM'000
Unquoted shares, at cost	64,197	73,701
Less: Impairment loss	(12,756)	(17,445)
	51,441	56,256

The details of the subsidiaries, all of which are unquoted and stated at cost are as follows:

Subsidiaries	Principal Activities	Effective Equity Interest 2021 %	Effective Equity Interest 2020 %
Incorporated in Malaysia			
AMMB Nominees (Tempatan) Sdn Bhd *	Dormant	100	100
AMMB Nominees (Asing) Sdn Bhd *	Dormant	100	100
AM Nominees (Tempatan) Sdn Bhd #	Nominee services	100	100
AM Nominees (Asing) Sdn Bhd	Nominee services	100	100
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100
AmResearch Sdn Bhd *	Dormant	100	100
AmFutures Sdn Bhd *	Dormant	100	100
AmFunds Management Berhad	Fund management	100	100
AmIslamic Funds Management Sdn Bhd	Fund management	100	100
Incorporated in Singapore			
AmFraser International Pte Ltd **	Investment holding	-	100

* Subsidiaries under members' voluntary liquidation
** Subsidiary was dissolved on 7 December 2020
# Subsidiary audited by a firm other than Ernst & Young PLT Malaysia

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

The movement in allowances for impairment is as follows:

	Bank 2021 RM'000	Bank 2020 RM'000
Balance at beginning of the financial year	17,445	17,445
Writeback of allowances made during the financial year	(4,689)	-
Balance at end of the financial year	12,756	17,445

15. OTHER ASSETS

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Trade receivables	(a)	539,538	513,961	528,044	504,785
Other receivables, deposits and prepayments		33,775	35,342	15,910	15,468
Interest receivable		585	1,164	585	1,164
Tax recoverable		6,656	31,642	6,624	29,021
Margin deposits		46,756	39,587	46,756	39,587
Amount due from:	(b)				
Holding company		283	1,483	283	1,074
Subsidiaries		-	-	2,864	2,854
Related companies		598	268	589	264
		628,191	623,447	601,655	594,217
Less:					
Allowances for ECL	(c)	(3,032)	(3,231)	(2,598)	(2,940)
		625,159	620,216	599,057	591,277

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

(b) Amounts due from subsidiaries and other related companies are unsecured, non-interest bearing, repayable on demand which include and represent expenses paid on behalf of the subsidiaries.

(c) Movements in allowances for ECL:

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Balance at beginning of the financial year	3,231	3,109	2,940	2,944
(Writeback of)/Allowance made during the financial year for ECL, net (Note 30)	(152)	717	(295)	591
Amount written-off	(47)	(595)	(47)	(595)
Balance at end of the financial year	3,032	3,231	2,598	2,940

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

As at reporting date, trade receivables of the Group and of the Bank that are classified as impaired amounted to RM1,809,000 (2020: RM1,715,000) and RM1,376,000 (2020: RM1,424,000), respectively.

16. PROPERTY AND EQUIPMENT

2021 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	19,526	23,176	26,150	959	89,944
Additions	-	-	896	22	747	-	1,665
Disposals	-	-	-	(74)	(35)	-	(109)
At end of the financial year	3,000	17,133	20,422	23,124	26,862	959	91,500
Accumulated Depreciation							
At beginning of the financial year	1,065	6,148	17,540	21,786	25,021	714	72,274
Depreciation charge for the financial year (Note 27)	60	343	791	364	620	-	2,178
Disposals	-	-	-	(74)	(35)	-	(109)
At end of the financial year	1,125	6,491	18,331	22,076	25,606	714	74,343
Carrying Amount							
At end of the financial year	1,875	10,642	2,091	1,048	1,256	245	17,157

16. PROPERTY AND EQUIPMENT (CONT'D.)

2020 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	18,308	22,984	26,065	1,104	88,594
Additions	-	-	1,227	217	467	-	1,911
Disposals	-	-	-	(23)	(356)	(145)	(524)
Transfer to a related company, net	-	-	-	(2)	(26)	-	(28)
Written off	-	-	(9)	-	-	-	(9)
At end of the financial year	3,000	17,133	19,526	23,176	26,150	959	89,944
Accumulated Depreciation							
At beginning of the financial year	1,005	5,805	16,984	21,400	24,732	859	70,785
Depreciation charge for the financial year (Note 27)	60	343	564	411	666	-	2,044
Disposals	-	-	-	(23)	(356)	(145)	(524)
Transfer to a related company, net	-	-	-	(2)	(21)	-	(23)
Written off	-	-	(8)	-	-	-	(8)
At end of the financial year	1,065	6,148	17,540	21,786	25,021	714	72,274
Carrying Amount							
At end of the financial year	1,935	10,985	1,986	1,390	1,129	245	17,670

16. PROPERTY AND EQUIPMENT (CONT'D.)

2021 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	18,814	21,980	24,836	959	86,722
Additions	-	-	896	22	669	-	1,587
Disposals	-	-	-	(74)	-	-	(74)
At end of the financial year	3,000	17,133	19,710	21,928	25,505	959	88,235
Accumulated Depreciation							
At beginning of the financial year	1,065	6,148	16,906	20,801	23,913	713	69,546
Depreciation charge for the financial year (Note 27)	60	343	748	286	519	-	1,956
Disposals	-	-	-	(74)	-	-	(74)
At end of the financial year	1,125	6,491	17,654	21,013	24,432	713	71,428
Carrying Amount							
At end of the financial year	1,875	10,642	2,056	915	1,073	246	16,807

16. PROPERTY AND EQUIPMENT (CONT'D.)

2020 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	17,589	21,809	24,829	1,104	85,464
Additions	-	-	1,227	196	394	-	1,817
Disposals	-	-	-	(23)	(361)	(145)	(529)
Transfer to a related company, net	-	-	-	(2)	(26)	-	(28)
Written off	-	-	(2)	-	-	-	(2)
At end of the financial year	3,000	17,133	18,814	21,980	24,836	959	86,722
Accumulated Depreciation							
At beginning of the financial year	1,005	5,805	16,390	20,510	23,759	858	68,327
Depreciation charge for the financial year (Note 27)	60	343	518	316	536	-	1,773
Disposals	-	-	-	(23)	(361)	(145)	(529)
Transfer to a related company, net	-	-	-	(2)	(21)	-	(23)
Written off	-	-	(2)	-	-	-	(2)
At end of the financial year	1,065	6,148	16,906	20,801	23,913	713	69,546
Carrying Amount							
At end of the financial year	1,935	10,985	1,908	1,179	923	246	17,176

17. RIGHT-OF-USE ASSETS

	Note	Premises 2021 RM'000	Premises 2020 RM'000
Group and Bank			
2021			
Cost			
At beginning of the financial year		6,200	-
Effects of adoption of MFRS 16		-	4,933
At beginning of the financial year, as restated		6,200	4,933
Additions		-	2,642
Remeasurement		-	(1,375)
At end of the financial year		6,200	6,200
Accumulated depreciation			
At beginning of the financial year		1,541	-
Depreciation charge for the financial year	27	755	1,541
At end of the financial year		2,296	1,541
Carrying amount			
At end of the financial year		3,904	4,659

The carrying amount of the right-of-use assets includes estimated cost for reinstatement which amounted to RM147,492 (2020 : RM235,647).

The corresponding lease liabilities relating to the right-of-use assets is disclosed in Note 20(c).

The Group and the Bank have entered into commercial leases for premises, all of which do not contain any variable payment terms or residual payment guarantees. The Group and the Bank are 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 twelve years. These options, which are exercisable only by the Group and 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 Group and the Bank. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (refer to Note 5.2). For most of the leases of premises, the periods covered by the extension options are included as part of the lease terms due to the significance of these assets to the Group and the Bank. As such, substantially all of the future cash outflows that the Group and the Bank are exposed to in connection with the leases have been reflected in the measurement of lease liabilities.

18. INTANGIBLE ASSETS

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Goodwill	(a)	36,442	36,442	-	-
Computer software	(b)	2,350	1,529	1,872	1,116
		38,792	37,971	1,872	1,116

18. INTANGIBLE ASSETS (CONT'D.)

The movement in intangible assets is as follows:

(a) Goodwill

	Group	
	2021	**2020**
	RM'000	**RM'000**
At beginning/end of financial year	36,442	36,442

Impairment assessment on goodwill

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Fund management	36,442	36,442

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

The cash flow projections for the CGU are based on the financial budgets approved by management covering a one-year period (2020: one-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 5.0% to 12.5% (2020: 4.9% to 12.5%) based on long-term inflation forecast and expectations of market opportunities. The discount rate applied is 9.7% (2020: 7.9%).

No impairment is recognised as the recoverable amount of the CGU calculated based on value in use exceeded the carrying amount of the fund management CGU.

18. INTANGIBLE ASSETS (CONT'D.)

(b) Computer software

	Group		Bank	
Group	**2021**	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost				
At beginning of the financial year	26,209	25,825	18,078	17,912
Additions	1,712	384	1,460	166
At end of the financial year	27,921	26,209	19,538	18,078
Accumulated Amortisation				
At beginning of the financial year	24,680	23,707	16,962	16,162
Amortisation for the financial year (Note 27)	891	973	704	800
At end of the financial year	25,571	24,680	17,666	16,962
Carrying amount	2,350	1,529	1,872	1,116

19. DEPOSITS AND PLACEMENTS OF A BANK

	Group and Bank	
	2021	**2020**
	RM'000	**RM'000**
Licensed bank, a related company (Note 34)	585,000	240,000

20. OTHER LIABILITIES

	Note	Group		Bank	
		2021	**2020**	**2021**	**2020**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	(a)	436,493	503,100	436,493	503,100
Other payables and accruals		52,388	54,684	36,590	40,596
Interest payable		658	871	658	871
Provision for commitments and contingencies	(b)	-	832	-	832
Lease liabilities	(c)	3,856	4,471	3,856	4,471
Provision for reinstatement of leased properties	(c)	297	615	297	615
Amounts due to:					
Subsidiary	(d)	-	-	-	14,186
Related companies	(d)	16,983	23,565	11,445	16,106
		510,675	588,138	489,339	580,777

(a) Trade payables mainly relate to the Bank's stock and futures broking operations and represent amount payable in respect of outstanding sales contracts.

As at the reporting date, the holding company, AMMB has given an unsecured guarantee amounting to RM50,000,000 (2020: RM50,000,000) on behalf of the Bank for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc. in respect of its future trading activity with the Bank. The AMMB Board had on 31 March 2020 approved the issuance of the corporate guarantee, effective from 1 April 2020.

20. OTHER LIABILITIES (CONT'D.)

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

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Balance at beginning of the financial year	832	1,100
(Writeback)/charge during the financial year	(832)	232
Settlement during the financial year	-	(500)
Balance at end of the financial year	-	832

(c) Lease liabilities and provision for reinstatement of leased properties

The movements for lease liabilities and provision for reinstatement of leased properties are as follows:

Group and Bank 2021	Note	Lease liabilities RM'000	Provision for reinstatement of leased properties RM'000	Total RM'000
Balance at beginning of the financial year		4,471	615	5,086
Finance cost charged during the financial year	27	131	6	137
Payments*		(746)	(324)	(1,070)
Balance at end of the financial year		3,856	297	4,153
2020				
Balance at beginning of the financial year		-	-	-
Effects of adoption of MFRS 16		4,573	360	4,933
Balance at beginning of the financial year, as restated		4,573	360	4,933
Addition		2,396	246	2,642
Remeasurement		(1,375)	-	(1,375)
Finance cost charged during the financial year	27	117	9	126
Payments*		(1,240)	-	(1,240)
Balance at end of the financial year		4,471	615	5,086

The weighted-average incremental discounted borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 3.3% per annum.

There were no variable lease payments, subleasing, leases with residual value guarantees, leases not yet commenced, restrictions or covenants imposed to which the Group and the Bank are committed.

The costs relating to leases for which the Group and the Bank applied the practical expedient described in paragraph 5(a) of the MFRS 16 for the current financial year end amounted to RM44,933 (2020 : RM16,752) for low-value assets and RM114,816 (2020: RM3,028,288) for leases with contract term of less than 12 months.

* Inclusive of RM294,691 (2020: RM392,765) of payment of lease liabilities to related parties during the financial year.

20. OTHER LIABILITIES (CONT'D.)

(c) Lease liabilities and provision for reinstatement of leased properties (Cont'd.)

Lease liabilities analysed by undiscounted contractual payments are as follows:

Group and Bank	2021 RM'000	2020 RM'000
Up to 1 month	56	83
>1 month to 3 months	111	153
>3 months to 6 months	167	170
>6 months to 12 months	334	340
>1 year to 5 years	2,493	2,673
Over 5 years	1,179	1,667
	4,340	5,086

(d) Amounts due to subsidiary and related companies are unsecured, non-interest bearing, repayable on demand which include expenses paid on behalf of the Bank.

21. SHARE CAPITAL

	Number of ordinary shares Group and Bank		Group and Bank	
	2021 Units'000	2020 Units'000	2021 RM'000	2020 RM'000
Issued and fully paid:				
Ordinary shares				
Balance at the beginning of the financial year	200,000	200,000	200,000	200,000
Issued during the year	114,035	-	130,000	-
Balance at the end of the financial year	314,035	200,000	330,000	200,000

During the financial year, the Bank had issued 114,035,088 new ordinary shares at RM1.14 per ordinary shares amounting to RM130,000,000. The purpose of the issuance is to recapitalize the Bank's capital position, in relation to the cost apportionment arising from the settlement with Ministry of Finance Malaysia as disclosed in Note 47 Significant Events.

The holder of fully paid ordinary shares, is entitled to receive dividends as and when declared by the Bank. All fully paid ordinary shares carry one vote per share without restrictions and rank equally with regards to the Bank's residual assets.

22. RESERVES

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Capital reserve	(i)	2,815	2,815	-	-
Regulatory reserve	(ii)	-	4,912	-	4,912
Merger reserve	(iii)	82,115	82,115	-	-
Fair value reserve	(iv)	1,539	999	1,539	999
Foreign currency translation reserve	(v)	-	2,497	-	-
Retained earnings	(vi)	43,454	305,635	35,695	313,545
Total reserves		129,923	398,973	37,234	319,456

(i) Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from capitalisation of subsidiaries' bonus issues in prior years.

(ii) Regulatory reserve is maintained by the banking subsidiaries in accordance with paragraph 10.5 of the BNM’s Policy Document on Financial Reporting and paragraph 10.9 of the BNM’s Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent.

Bank Negara Malaysia (“BNM”) had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 31 March 2021, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM. However, banking institutions are expected to replenish the prudential buffers to the minimum regulatory requirements by 30 September 2021. The Bank has elected for this relief measure, hence had transferred the entire balance in regulatory reserve to retained earnings in the current financial year ended 31 March 2021.

(iii) Merger reserve represents reserve arising from the acquisition of certain subsidiaries which was accounted for using the merger accounting method in prior years.

(iv) The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at FVOCI.

(v) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency in prior years. There is no foreign operation as at the current year's reporting date.

(vi) The Bank can distribute dividends out of its entire retained earnings under the single tier system.

23. INTEREST INCOME

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Cash and short-term funds	3,150	6,137	1,841	4,724
Financial investments at amortised cost	4,329	5,317	4,329	5,317
Loans and advances	23,640	19,288	23,640	19,288
Others	1,344	956	1,344	956
	32,463	31,698	31,154	30,285

24. INTEREST EXPENSE

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Deposits and placements of a bank	5,631	9,197	5,631	9,197
Others	378	478	158	260
	6,009	9,675	5,789	9,457

25. OTHER OPERATING INCOME

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Fee and commission income:					
Brokerage fees and commission		138,275	60,315	138,275	60,315
Corporate advisory		10,483	17,933	10,483	17,933
Fees on loans and securities		3,933	16,985	3,933	16,985
Portfolio management fees		53,716	35,772	8,082	1,758
Underwriting commission		129	323	129	323
Wealth management fees		33,905	34,477	48,285	44,275
Unit trust management fees		116,611	97,505	-	-
Unit trust service charges		38,920	24,944	-	-
Other fee and commission income		9,991	2,927	10,672	3,153
		405,963	291,181	219,859	144,742
Investment and trading income:					
Dividend income from:					
Subsidiaries		-	-	35,250	26,370
Financial assets at FVTPL		-	2	-	2
Financial investments at FVOCI	9	244	195	244	195
Net foreign exchange (loss)/gain		(682)	1,150	(343)	1,312
Net (loss)/gain on derivatives		(2)	2	(2)	2
Net (loss)/gain on revaluation of financial assets at FVTPL		(3)	33	(3)	33
Net gain/(loss) from sale of financial assets at FVTPL		12	(33)	12	(33)
Gain on liquidation of a subsidiary		2,457	-	9,502	-
		2,026	1,349	44,660	27,881

25. OTHER OPERATING INCOME (CONT'D.)

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Other income:				
Net gain on disposal of property and equipment	2	21	2	21
Rental income	2,092	2,003	2,097	2,012
Others	861	311	616	263
	2,955	2,335	2,715	2,296
	410,944	294,865	267,234	174,919

26. DIRECT COSTS

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Brokerage commission	56,027	19,406	56,027	19,406
Unit trust commission	54,633	39,266	-	-
Others	29,256	16,752	29,256	16,752
	139,916	75,424	85,283	36,158

27. OTHER OPERATING EXPENSES

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Personnel costs:					
- Contributions to EPF/Private Retirement Scheme		13,282	14,118	9,028	9,782
- Salaries, allowances and bonuses		82,981	87,761	56,447	60,926
- Scheme shares granted under AMMB ESS		5,784	4,024	4,430	3,297
- Social security costs		503	504	332	332
- Others		7,208	9,231	4,810	6,225
		109,758	115,638	75,047	80,562
Establishment costs:					
- Amortisation of intangible assets	18	891	973	704	800
- Cleaning, maintenance and security		1,144	1,665	1,101	1,549
- Computerisation costs		9,014	8,383	8,967	8,359
- Depreciation of property and equipment	16	2,178	2,044	1,956	1,773
- Depreciation of right-of-use assets	17	755	1,541	755	1,541
- Finance costs:					
- Interest on lease liability	20(c)	131	117	131	117
- Provision for reinstatement of leased properties	20(c)	6	9	6	9
- Rental of premises		7,198	7,400	5,473	5,630
- Others		1,023	1,126	939	995
		22,340	23,258	20,032	20,773

27. OTHER OPERATING EXPENSES (CONT'D.)

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Marketing and communication expenses:					
- Advertising, promotional and other marketing activities		694	808	319	595
- Sales commission		26	13	26	13
- Travel and entertainment		660	1,307	622	1,041
- Communication and other expenses		2,337	3,051	1,696	2,430
		3,717	5,179	2,663	4,079
Administration and general expenses:					
- Professional services		13,950	13,691	4,086	1,714
- Travelling		294	329	232	236
- Others		7,846	12,791	580	4,940
		22,090	26,811	4,898	6,890
Service transfer pricing, net	34	16,929	13,732	12,270	9,924
		174,834	184,618	114,910	122,228

Included in other operating expenses are the following:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Parent auditor:				
Audit services	231	233	157	157
Regulatory and assurance related	70	151	70	111
Other services	2	6	2	6
Other auditor	3	3	-	-

28. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

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

2021	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
CEO:						
Tracy Chen Wee Keng#	-	502	-	145	1	648
Seohan Soo##	-	330	735	362	6	1,433
	-	832	735	507	7	2,081
Non-Executive Directors:						
Jeyaratnam a/l Tamotharam Pillai	260	-	-	216	29	505
Lum Sing Fai	150	-	-	28	1	179
Tan Bun Poo	150	-	-	75	1	226
Ramesh Pillai	150	-	-	78	17	245
Chee Li Har	230	-	-	109	1	340
Seow Yoo Lin	150	-	-	63	1	214
Dato' Kong Sooi Lin	150	-	-	65	1	216
	1,240	-	-	634	51	1,925
Total CEO's and Directors' remuneration	1,240	832	735	1,141	58	4,006

Appointed on 28 October 2020
Resigned on 1 July 2020

2020	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
CEO:						
Seohan Soo	-	1,320	699	522	8	2,549
Non-Executive Directors:						
Jeyaratnam a/l Tamotharam Pillai	260	-	-	210	19	489
Lum Sing Fai	150	-	-	63	2	215
Tan Bun Poo	150	-	-	73	1	224
Ramesh Pillai	150	-	-	73	17	240
Chee Li Har	230	-	-	105	2	337
Seow Yoo Lin	150	-	-	58	-	208
Dato' Kong Sooi Lin*	63	-	-	23	-	86
	1,153	-	-	605	41	1,799
Total CEO's and Directors' remuneration	1,153	1,320	699	1,127	49	4,348

* Appointed on 30 October 2019

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

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

2021	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
CEO:						
Tracy Chen Wee Keng#	-	502	-	145	1	648
Seohan Soo##	-	330	735	362	6	1,433
	-	832	735	507	7	2,081
Non-Executive Directors:						
Jeyaratnam a/l Tamotharam Pillai	160	-	-	210	28	398
Lum Sing Fai	150	-	-	28	1	179
Tan Bun Poo	150	-	-	75	1	226
Ramesh Pillai	150	-	-	78	17	245
Chee Li Har	150	-	-	103	1	254
Seow Yoo Lin	150	-	-	63	1	214
Dato' Kong Sooi Lin	150	-	-	65	1	216
	1,060	-	-	622	50	1,732
Total CEO's and Directors' remuneration	1,060	832	735	1,129	57	3,813

Appointed on 28 October 2020
Resigned on 1 July 2020

2020	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
CEO:						
Seohan Soo	-	1,320	699	522	8	2,549
Non-Executive Directors:						
Jeyaratnam a/l Tamotharam Pillai	160	-	-	205	14	379
Lum Sing Fai	150	-	-	63	2	215
Tan Bun Poo	150	-	-	73	1	224
Ramesh Pillai	150	-	-	73	17	240
Chee Li Har	150	-	-	100	1	251
Seow Yoo Lin	150	-	-	58	-	208
Dato' Kong Sooi Lin*	63	-	-	23	-	86
	973	-	-	595	35	1,603
Total CEO's and Directors' remuneration	973	1,320	699	1,117	43	4,152

* Appointed on 30 October 2019

29. WRITEBACK OF/(ALLOWANCES FOR) IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Writeback of/(Allowances for) impairment on loans and advances:				
Allowances for ECL (Note 11(i))	135	(132)	135	(132)
Impaired loans and advances recovered	3,034	-	3,034	-
	3,169	(132)	3,169	(132)

30. WRITEBACK OF/(ALLOWANCES FOR) IMPAIRMENT ON OTHER FINANCIAL ASSETS

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and short-term funds	6	2	5	2	5
Other assets	15(c)	152	(717)	295	(591)
		154	(712)	297	(586)

31. TAXATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax:				
Estimated tax payable	28,032	22,285	13,927	13,211
Under/(Over) provision of taxation in respect of prior financial years	8,347	(823)	8,368	(252)
	36,379	21,462	22,295	12,959
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	2,023	(3,895)	1,789	(3,870)
Under/(Over) provision of deferred tax in prior financial year	28	22	(84)	(273)
	2,051	(3,873)	1,705	(4,143)
Taxation	38,430	17,589	24,000	8,816

Domestic income tax is calculated at the statutory tax rate of 24% (2020: 24%) on the estimated chargeable profit for the financial year.

31. TAXATION (CONT'D.)

A reconciliation of taxation applicable to (loss)/profit before taxation at the statutory tax rate to taxation at the effective tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/profit before taxation	(159,663)	81,257	(189,762)	61,903
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	(38,319)	19,502	(45,543)	14,857
Income not subject to tax	(3,889)	(2,209)	(10,807)	(6,381)
Expenses not deductible for tax purposes	72,389	1,194	72,192	962
Tax recoverable recognised on income subject to tax remission	(126)	(97)	(126)	(97)
Under/(Over) provision of current tax in prior years	8,347	(823)	8,368	(252)
Under/(Over) provision of deferred tax in prior years	28	22	(84)	(273)
Taxation	38,430	17,589	24,000	8,816

32. BASIC/DILUTED EARNINGS PER SHARE

	Group	
	2021	2020
Net (loss)/profit attributable to shareholder of the Bank (RM'000)	(198,093)	63,668
Number of shares at the beginning of the year ('000)	200,000	200,000
Effect of issuance of new ordinary shares ('000)	625	-
Weighted average number of ordinary shares in issue at the end of the financial year ('000)	200,625	200,000
Basic/diluted (loss)/earnings per share (sen)	(98.7)	31.8

33. DIVIDENDS

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Recognised during the financial year:		
Final single tier cash dividend of 19.50 sen per ordinary share in respect of financial year ended 31 March 2020 (2020: 11.00 sen per ordinary share in respect of financial year ended 31 March 2019)	39,000	22,000
Interim single tier cash dividend of 15.00 sen per ordinary share in respect of financial year ended 31 March 2021 (2020: 7.00 sen per ordinary share in respect of financial year ended 31 March 2020)	30,000	14,000
	69,000	36,000
Proposed but not recognised as a liability:		
No final dividend declared in respect of financial year ended 31 March 2021 (2020: final dividend of 19.50 sen per ordinary share in respect of financial year ended 31 March 2020)	-	39,000

34. 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 the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and of the Bank are:

(i) Subsidiaries

Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

Details of the subsidiaries are disclosed in Note 14.

(ii) Related companies

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

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

The associates of the holding company are AmFirst Real Estate Investment Trust and Bonuskad Loyalty Sdn Bhd.

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

(iv) Key management personnel ("KMP")

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, either directly or indirectly. The key management personnel of the Group and the Bank include the Non-Executive Directors of the Group and of the Bank (including close members of their families), and the CEO of the Bank.

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

The related parties of the Group and of the Bank are (Cont'd.):

(v) Companies in which certain Directors have substantial financial interest

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

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

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

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

Group and Bank	Associates and joint ventures 2021 RM'000	Associates and joint ventures 2020 RM'000	Companies in which certain Directors have substantial financial interest 2021 RM'000	Companies in which certain Directors have substantial financial interest 2020 RM'000
Expenses				
Cleaning and maintenance	68	71	-	-
Rental of premises	2	3,028	-	-
Insurance premiums	1,181	1,181	-	-
Light, power and water	177	272	-	-
Travelling expenses	-	-	4	124
Training expenses	-	-	18	20
Other expenses	-	8	-	-
	1,428	4,560	22	144
Assets				
Right-of-use assets	1,945	2,175	-	-
Liabilities				
Lease liabilities	2,006	2,199	-	-

Group	Related Companies 2021 RM'000	Related Companies 2020 RM'000	Holding Company 2021 RM'000	Holding Company 2020 RM'000
Income				
Interest on deposits and placements	1,599	5,678	-	-
Fee income	150	153	-	-
Rental income	256	1,971	-	-
	2,005	7,802	-	-
Expenses				
Interest on deposits and placements	5,631	9,204	-	-
Rental of premises	7,031	4,363	-	-
Service transfer pricing, net	16,929	13,732	-	-
	29,591	27,299	-	-
Assets				
Cash and short-term funds	73,092	171,450	-	-
Interest receivable	1	9	-	-
Amount due from related companies	598	268	283	1,483
	73,691	171,727	283	1,483

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

Group	Related Companies 2021 RM'000	Related Companies 2020 RM'000
Liabilities		
Deposits and placements of a bank	585,000	240,000
Interest payable	658	871
Amount due to related companies	16,983	23,565
Derivative financial liabilities	8	4
	602,649	264,440

Bank	Subsidiaries 2021 RM'000	Subsidiaries 2020 RM'000	Related Companies 2021 RM'000	Related Companies 2020 RM'000	Holding Company 2021 RM'000	Holding Company 2020 RM'000
Income						
Interest on deposits and placements	-	-	1,265	5,163	-	-
Fee income	14,380	9,798	150	153	-	-
Rental income	5	9	256	1,971	-	-
	14,385	9,807	1,671	7,287	-	-
Expenses						
Interest on deposits and placements	-	-	5,631	9,204	-	-
Rental of premises	-	-	5,299	2,585	-	-
Service transfer pricing, net	(60)	(60)	12,330	9,984	-	-
	(60)	(60)	23,260	21,773	-	-
Assets						
Cash and short-term funds	-	-	73,092	171,450	-	-
Interest receivable	-	-	1	9	-	-
Amount due from related companies	2,864	2,854	589	264	283	1,074
	2,864	2,854	73,682	171,723	283	1,074
Liabilities						
Deposits and placements of a bank	-	-	585,000	240,000	-	-
Interest payable	-	-	658	871	-	-
Amount due to related companies	-	14,186	11,445	16,106	-	-
Derivative financial liabilities	-	-	8	4	-	-
	-	14,186	597,111	256,981	-	-

Group and Bank	Related Companies 2021 RM'000	Related Companies 2020 RM'000
Commitment and contingencies		
Contract/notional amount for derivatives	1,346	489

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

(b) There were no loans granted to the Directors and KMP of the Bank in the normal course of business of the Group and of the Bank. Loans made to other KMP of the Group and the Bank, if any, are on similar terms and conditions generally available to other employees of the Group. No provisions have been recognised in respect of loans given to KMP.

(c) The Group and the Bank incur intercompany charges for shared operating costs of AMMB Group in Malaysia as disclosed under Service Transfer Pricing expenses. The services received related to expenses incurred for group shared services in respect of internal audit, finance, human resource, marketing and communications, legal, company secretarial, organisation and development and information systems.

(d) Key management personnel compensation

The remuneration of Directors of the Bank and other key management personnel during the financial year are as follows:

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors:				
Fees	1,240	1,153	1,060	973
Other emoluments	685	646	672	630
Total short-term employee benefits	1,925	1,799	1,732	1,603
Other key management personnel:				
Salaries and other emoluments	1,687	2,139	1,687	2,139
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	394	410	394	410
Total short-term employee benefits	2,081	2,549	2,081	2,549

35. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

The disclosure on Credit Transactions and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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 and his close relatives being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank;

(v) Officers who are responsible for or have the authority to appraise and/or to 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 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.

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

Credit transactions and exposures to connected parties include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties are all transacted on an arm's length basis and on terms and conditions no 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.

There are no outstanding credit transactions and exposures with connected parties as at 31 March 2021 and 31 March 2020.

36. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2021 amounted to RM57,100,842,000 (2020 : RM49,978,666,000) and RM9,243,203,000 (2020 : RM7,878,263,000) respectively.

37. CAPITAL COMMITMENTS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Authorised and contracted for:				
Purchase of office equipment, information technology equipment and solutions	35	341	29	296
Authorised but not contracted for:				
Purchase of office equipment, information technology equipment and solutions	158	-	158	-
Total capital commitments	193	341	187	296

38. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

As at the reporting date, the principal amounts of the commitments and contingencies and notional contracted amounts of derivatives are as follows:

	Group and Bank	
	2021	**2020**
	RM'000	**RM'000**
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	241,897	121,420
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	27,834
	241,897	149,254
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	1,346	489
Equity related contracts:		
- One year or less	-	64
	1,346	553
Total	243,243	149,807

39. MONIES IN TRUST

(a) Monies in trust in relation to the Group's and the Bank's stockbroking and futures businesses excluded from the statements of financial position in accordance with Financial Reporting Standards Implementation Committee Consensus 18 *Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad* ("FRSIC 18"):

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

(b) Monies held in trust in relation to the Group's fund management business excluded from the statement of financial position:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Monies in trust in relation to the fund management business	24,561	18,884

40. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

2021	**Less than 12 months RM'000**	**Over 12 months RM'000**	**Total RM'000**
Group			
ASSETS			
Cash and short-term funds	235,109	-	235,109
Financial investments at FVOCI	-	2,995	2,995
Financial investments at amortised cost	30,007	75,000	105,007
Loans and advances	512,109	519	512,628
Statutory deposit with Bank Negara Malaysia	-	6,504	6,504
Deferred tax assets	-	8,351	8,351
Other assets	619,545	5,614	625,159
Property and equipment	-	17,157	17,157
Right-of-use assets	-	3,904	3,904
Intangible assets	-	38,792	38,792
TOTAL ASSETS	1,396,770	158,836	1,555,606
LIABILITIES			
Deposits and placements of banks and other financial institutions	585,000	-	585,000
Derivative financial liabilities	8	-	8
Other liabilities	499,958	10,717	510,675
TOTAL LIABILITIES	1,084,966	10,717	1,095,683

2020	**Less than 12 months RM'000**	**Over 12 months RM'000**	**Total RM'000**
Group			
ASSETS			
Cash and short-term funds	285,606	-	285,606
Financial assets at FVTPL	-	48	48
Financial investments at FVOCI	-	2,771	2,771
Financial investments at amortised cost	30,019	105,013	135,032
Loans and advances	309,830	578	310,408
Statutory deposit with Bank Negara Malaysia	-	2,650	2,650
Deferred tax assets	-	10,086	10,086
Other assets	611,213	9,003	620,216
Property and equipment	-	17,670	17,670
Right-of-use assets	-	4,659	4,659
Intangible assets	-	37,971	37,971
TOTAL ASSETS	1,236,668	190,449	1,427,117
LIABILITIES			
Deposits and placements of banks and other financial institutions	240,000	-	240,000
Derivative financial liabilities	6	-	6
Other liabilities	582,573	5,565	588,138
TOTAL LIABILITIES	822,579	5,565	828,144

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

2021 **Bank**	**Less than 12 months RM'000**	**Over 12 months RM'000**	**Total RM'000**
ASSETS			
Cash and short-term funds	135,624	-	135,624
Financial investments at FVOCI	-	2,995	2,995
Financial investments at amortised cost	30,007	75,000	105,007
Loans and advances	512,109	519	512,628
Statutory deposit with Bank Negara Malaysia	-	6,504	6,504
Deferred tax assets	-	5,742	5,742
Investments in subsidiaries	-	51,441	51,441
Other assets	593,443	5,614	599,057
Property and equipment	-	16,807	16,807
Right-of-use assets	-	3,904	3,904
Intangible assets	-	1,872	1,872
TOTAL ASSETS	1,271,183	170,398	1,441,581
LIABILITIES			
Deposits and placements of banks and other financial institutions	585,000	-	585,000
Derivative financial liabilities	8	-	8
Other liabilities	483,783	5,556	489,339
TOTAL LIABILITIES	1,068,791	5,556	1,074,347

2020 **Bank**	**Less than 12 months RM'000**	**Over 12 months RM'000**	**Total RM'000**
ASSETS			
Cash and short-term funds	211,715	-	211,715
Financial assets at FVTPL	-	48	48
Financial investments at FVOCI	-	2,771	2,771
Financial investments at amortised cost	30,019	105,013	135,032
Loans and advances	309,830	578	310,408
Statutory deposit with Bank Negara Malaysia	-	2,650	2,650
Deferred tax assets	-	7,131	7,131
Investments in subsidiaries	-	56,256	56,256
Other assets	582,274	9,003	591,277
Property and equipment	-	17,176	17,176
Right-of-use assets	-	4,659	4,659
Intangible assets	-	1,116	1,116
TOTAL ASSETS	1,133,838	206,401	1,340,239
LIABILITIES			
Deposits and placements of banks and other financial institutions	240,000	-	240,000
Derivative financial liabilities	6	-	6
Other liabilities	575,212	5,565	580,777
TOTAL LIABILITIES	815,218	5,565	820,783

41. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at AMMB Group level.

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

AMMB Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable AMMB Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

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

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

AMMB Group periodically assesses the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined.

The capital that AMMB Group is required to hold is determined by its actual and forecasted statement of financial position, commitments & contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on AMMB Group’s risk rating methodologies and systems. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

AMMB Group has in place processes and controls to monitor and manage capital adequacy across the organisation.The Group Asset and Liability Committee (“GALCO”) is responsible for overseeing and managing the Group’s balance sheet, capital and liquidity positions.

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

41. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and the Bank as at 31 March are as follows:

	Group	Bank
2021 (under transitional arrangement, refer to Note (i) below)		
CET1 Capital Ratio	29.899%	27.374%
Tier 1 Capital Ratio	29.899%	27.374%
Total Capital Ratio	29.899%	27.374%
2020		
Before deducting proposed dividend:		
CET1 Capital Ratio	41.567%	40.638%
Tier 1 Capital Ratio	41.567%	40.638%
Total Capital Ratio	41.942%	41.076%
After deducting proposed dividend:		
CET1 Capital Ratio	38.595%	37.161%
Tier 1 Capital Ratio	38.595%	37.161%
Total Capital Ratio	38.970%	37.600%

(i) The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 3 May 2019. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

Pursuant to the revised BNM policy document, Capital Adequacy Framework (Capital Component) 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 the 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 provisions) to CET1 Capital. Had the transitional arrangement not been applied, the capital ratios of the Group and the Bank would remain unchanged as the Group and the Bank have very low provision for ECL.

(ii) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital Ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:

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

41. CAPITAL MANAGEMENT (CONT'D.)

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

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET1 Capital/Tier 1 Capital				
Ordinary shares	330,000	200,000	330,000	200,000
Retained earnings	43,454	305,635	35,695	313,545
Fair value reserve	1,539	999	1,539	999
Foreign currency translation reserve	-	2,497	-	-
Regulatory reserve	-	4,912	-	4,912
Capital reserve	2,815	2,815	-	-
Merger reserve	82,115	82,115	-	-
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(2,350)	(1,529)	(1,872)	(1,116)
Deferred tax assets	(8,451)	(10,133)	(5,841)	(7,179)
55% of fair value reserve	(846)	(550)	(846)	(550)
Regulatory reserve	-	(4,912)	-	(4,912)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
CET1 Capital/Tier 1 Capital	**411,834**	**545,407**	**308,866**	**455,890**
Tier 2 Capital				
General provisions*	3	4,916	3	4,916
Tier 2 Capital	**3**	**4,916**	**3**	**4,916**
Total Capital	**411,837**	**550,323**	**308,869**	**460,806**

*Consists of stage 1 and stage 2 loss allowances and regulatory reserve subject to a maximum of 1.25% of total credit RWA.

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

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit RWA	865,201	802,132	839,127	841,125
Market RWA	21,544	37,354	15,027	17,004
Operational RWA	490,677	472,622	274,163	263,707
Total RWA	1,377,422	1,312,108	1,128,317	1,121,836

42. RISK MANAGEMENT

42.1 GENERAL RISK MANAGEMENT

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

The Risk Appetite Framework is reviewed and approved annually by the Board taking into account the Group's and the Bank's desired external rating and targeted profitability/return on risk weighted assets ("RWA") 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 challenge to the environment that the 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 ORM tools.

AMMB Group Risk Direction

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

1. The Group and the Bank aspires to restore the financial institution rating to AA2 from the current AA3 based on reference ratings by RAM Rating Services Berhad ("RAM")

2. The Group and the Bank will maintain the professional conduct of a bank and ensure fair dealing with our clients in all business undertakings.

3. The Group and the Bank will remain vigilant in the following areas to protect its reputation and business franchise; keeping up and complying with regulatory changes; and risk identification and management of risks arising from new client and/or mandate (including for advisory businesses).

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

5. The Group and the Bank recognize the importance of funding its own business. It aims to maintain the
   a. Liquidity Coverage Ratio ("LCR") (both at consolidated and entity level) at least 10 percentage point above prevailing regulatory minimum;
   b. Stressed LCR (both at consolidated and entity level) above the regulatory requirement; and
   c. Net Stable Funding Ratio ("NSFR") (Financial Holding Company ("FHC") level) above the prevailing regulatory minimum (effective from July 2020).

6. The Group and the Bank aim to maintain its Total Capital Ratio at the Group's Internal Capital Trigger under normal condition.

7. The Group and the Bank aim to maintain adequate controls for all key businesses to manage operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks) losses excluding regulatory penalties below 2% of PATMI.

   Key operational risks covered include but not limited to:
   ▪ People risk; and
   ▪ Technology/ Cyber risk

42. RISK MANAGEMENT (CONT'D.)

42.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The Risk Management Committee is formed to assist the Board in discharging its duties in overseeing the overall management of all risks including, but not limited to market risk, liquidity risk, credit risk, operational risk, IT and cyber risk.

The Board has also established the Risk Management Committees ("RMC") to assist it in managing the risks and businesses of the AMMB Group. The Management Risk Committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT risk.

AMMB Group has an independent risk management function, headed by AMMB 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, technological 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 Risk Management Committee of the Bank, has access to AMMB Board and the Boards of the respective banking entities 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 checked-in, given the allowed 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 keep in compliance with the MCO requirements

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

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

42. RISK MANAGEMENT (CONT'D.)

42.2 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 • Collateral and tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customers under Classified Account • Review customers under 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 lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the AMMB Group's Risk Appetite Framework ("GRAF") and related credit policies.

For non-retail credits, risk assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the 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 Group's credit exposure. The overall credit assessment is conducted either through a program lending or discretionary lending approach.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The GRAF is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

- Concentration threshold/review trigger:
  - single counterparty credit exposure;
  - industry sector exposure; and
  - country exposure.
- Setting Loan to Value limits for asset-backed loans;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loan and advances pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans.

42. RISK MANAGEMENT (CONT'D.)

42.2 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 AmBank 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 AMMB GMRC regularly meets to review the quality and diversification of the Group’s loans portfolio, and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policies or guidelines.

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

Credit Risk Exposure and Concentration

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

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking account of any collateral held or other credit enhancements.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1a Industry Analysis of the Group

Group 2021	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	209,938	25,171	-	-	-	-	-	235,109
Financial investments at amortised cost															
Money Market Securities	-	-	-	-	-	-	-	-	30,007	-	-	-	-	-	30,007
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,000	-	-	-	-	-	-	75,000
Loans and advances															
Other loans and advances	1,560	-	7,030	-	15,764	439	-	-	-	309	29,631	-	457,896	-	512,629
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
															512,628
Other financial assets	-	272	1,175	110	402	434	299	102,283	233	4,531	101,441	17	90,301	311,390	612,888
Less : Allowances for ECL	-	-	-	-	(228)	(150)	-	(434)	-	-	-	-	-	(2,220)	(3,032)
															609,856
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	6,504	-	-	-	-	-	6,504
Total financial assets	1,560	272	8,205	110	15,938	723	299	386,787	61,915	4,840	131,072	17	548,196	309,170	1,469,104
Commitments															
Irrevocable commitments to extend credit	1,662	-	-	-	-	-	-	-	-	-	-	-	206,612	33,623	241,897
Total commitments	1,662	-	-	-	-	-	-	-	-	-	-	-	206,612	33,623	241,897

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1a Industry Analysis of the Group (Cont'd.)

Group 2020	**Agriculture RM'000**	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail, Restaurant, and Hotel RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Government and Central Banks RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	285,486	122	-	-	-	-	-	285,608
Less : Allowances for ECL	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-	(2)
															285,606
Financial investments at amortised cost															
Money Market Securities	-	-	-	-	-	-	-	-	60,032	-	-	-	-	-	60,032
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,000	-	-	-	-	-	-	75,000
Loans and advances (Restated)															
Other loans and advances	-	-	7,078	-	5,208	2,227	-	-	-	333	42,687	-	254,682	-	312,215
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	(1,671)	-	(136)	-	(1,807)
															310,408
Other financial assets	212	5	22	90	774	884	92	98,500	151	4,420	21,786	154	33,982	425,236	586,308
Less : Allowances for ECL	-	-	-	-	(273)	(150)	-	(299)	-	(219)	-	(53)	-	(2,237)	(3,231)
															583,077
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	2,650	-	-	-	-	-	2,650
Total financial assets	212	5	7,100	90	5,709	2,961	92	458,685	62,955	4,534	62,802	101	288,528	422,999	1,316,773
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	7,250	-	-	125,973	16,031	149,254
Total commitments	-	-	-	-	-	-	-	-	-	7,250	-	-	125,973	16,031	149,254

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1a Industry Analysis of the Bank

Bank 2021	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	110,453	25,171	-	-	-	-	-	135,624
Financial investments at amortised cost															
Money Market Securities	-	-	-	-	-	-	-	-	30,007	-	-	-	-	-	30,007
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,000	-	-	-	-	-	-	75,000
Loans and advances															
Other loans and advances	1,560	-	7,030	-	15,764	439	-	-	-	309	29,631	-	457,896	-	512,629
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
															512,628
Other financial assets	-	272	1,175	110	402	434	299	78,197	233	4,531	101,441	17	90,301	311,973	589,385
Less : Allowances for ECL	-	-	-	-	(228)	(150)	-	-	-	-	-	-	-	(2,220)	(2,598)
															586,787
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	6,504	-	-	-	-	-	6,504
Total financial assets	1,560	272	8,205	110	15,938	723	299	263,650	61,915	4,840	131,072	17	548,196	309,753	1,346,550
Commitments															
Irrevocable commitments to extend credit	1,662	-	-	-	-	-	-	-	-	-	-	-	206,612	33,623	241,897
Total commitments	1,662	-	-	-	-	-	-	-	-	-	-	-	206,612	33,623	241,897

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1a Industry Analysis of the Bank (Cont'd.)

Bank 2020	**Agriculture RM'000**	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail, Restaurant, and Hotel RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Government and Central Banks RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	211,595	122	-	-	-	-	-	211,717
Less : Allowances for ECL	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-	(2)
															211,715
Financial investments at amortised cost															
Money Market Securities	-	-	-	-	-	-	-	-	60,032	-	-	-	-	-	60,032
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,000	-	-	-	-	-	-	75,000
Loans and advances (Restated)															
Other loans and advances	-	-	7,078	-	5,208	2,227	-	-	-	333	42,687	-	254,682	-	312,215
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	(1,671)	-	(136)	-	(1,807)
															310,408
Other financial assets	212	5	22	90	774	884	92	71,891	151	4,420	21,786	154	33,982	425,236	559,699
Less : Allowances for ECL	-	-	-	-	(273)	(150)	-	(8)	-	(219)	-	(53)	-	(2,237)	(2,940)
															556,759
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	2,650	-	-	-	-	-	2,650
Total financial assets	212	5	7,100	90	5,709	2,961	92	358,476	62,955	4,534	62,802	101	288,528	422,999	1,216,564
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	7,250	-	-	125,973	16,031	149,254
Total commitments	-	-	-	-	-	-	-	-	-	7,250	-	-	125,973	16,031	149,254

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1b Geographical Analysis of the Group

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2021			
Cash and short-term funds	233,155	1,954	235,109
Financial investments at amortised cost			
Money Market Securities	30,007	-	30,007
Unquoted Corporate Bonds	75,000	-	75,000
Loans and advances			
Other loans and advances	512,629	-	512,629
Less : Allowances for ECL	(1)	-	(1)
	512,628	-	512,628
Other financial assets	612,091	797	612,888
Less : Allowances for ECL	(3,032)	-	(3,032)
	609,059	797	609,856
Statutory deposit with Bank Negara Malaysia	6,504	-	6,504
Total financial assets	1,466,353	2,751	1,469,104
Commitments			
Irrevocable commitments to extend credit	241,897	-	241,897
Total commitments	241,897	-	241,897

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1b Geographical Analysis of the Group (Cont'd.)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2020			
Cash and short-term funds	268,644	16,964	285,608
Less: Allowances for ECL	-	(2)	(2)
	268,644	16,962	285,606
Financial investments at amortised cost			
Money Market Securities	60,032	-	60,032
Unquoted Corporate Bonds	75,000	-	75,000
Loans and advances			
Other loans and advances	312,215	-	312,215
Less : Allowances for ECL	(1,807)	-	(1,807)
	310,408	-	310,408
Other financial assets	582,601	3,707	586,308
Less : Allowances for ECL	(3,178)	(53)	(3,231)
	579,423	3,654	583,077
Statutory deposit with Bank Negara Malaysia	2,650	-	2,650
Total financial assets	1,296,157	20,616	1,316,773
Commitments			
Irrevocable commitments to extend credit	149,254	-	149,254
Total commitments	149,254	-	149,254

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1b Geographical Analysis of the Bank

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2021			
Cash and short-term funds	133,670	1,954	135,624
Financial investments at amortised cost			
Money Market Securities	30,007	-	30,007
Unquoted Corporate Bonds	75,000	-	75,000
Loans and advances			
Other loans and advances	512,629	-	512,629
Less : Allowances for ECL	(1)	-	(1)
	512,628	-	512,628
Other financial assets	589,336	49	589,385
Less : Allowances for ECL	(2,598)	-	(2,598)
	586,738	49	586,787
Statutory deposit with Bank Negara Malaysia	6,504	-	6,504
Total financial assets	1,344,547	2,003	1,346,550
Commitments			
Irrevocable commitments to extend credit	241,897	-	241,897
Total commitments	241,897	-	241,897

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1b Geographical Analysis of the Bank (Cont'd.)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2020			
Cash and short-term funds	194,753	16,964	211,717
Less: Allowances for ECL	-	(2)	(2)
	194,753	16,962	211,715
Financial investments at amortised cost			
Money Market Securities	60,032	-	60,032
Unquoted Corporate Bonds	75,000	-	75,000
Loans and advances			
Other loans and advances	312,215	-	312,215
Less : Allowances for ECL	(1,807)	-	(1,807)
	310,408	-	310,408
Other financial assets	558,169	1,530	559,699
Less : Allowances for ECL	(2,887)	(53)	(2,940)
	555,282	1,477	556,759
Statutory deposit with Bank Negara Malaysia	2,650	-	2,650
Total financial assets	1,198,125	18,439	1,216,564
Commitments			
Irrevocable commitments to extend credit	149,254	-	149,254
Total commitments	149,254	-	149,254

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.2 Collateral and Other Credit Enhancement

Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits;
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuk; and
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds).

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

Processes for Collateral Management

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

Guarantee Support

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

Use of Credit Derivatives and Netting for Risk Mitigation

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

Transaction Structuring to Mitigate Credit Risk

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

Concentrations of Credit Risk Mitigation

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

The main types of collateral undertaken by the Group are exchange traded shares and unit trusts.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.3 Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are currently aligned to 8 rating categories (7 for non-defaulted and 1 for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the categories for Non-Retail

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:- i. Exceptionally solid and stable operating and financial performance. ii. Debt servicing capacity has been exceptionally strong over the long-term. iii. 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. iv. 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:- i. Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. ii. Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium-term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:- i. Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance. ii. 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:- i. Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/or operating performance. ii. Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. iii. 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.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.3 Credit Quality (Cont'd.)

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

Credit quality classification	Description
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:- i. Capacity for timely fulfillment of financial obligations exists. ii. Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. iii. Overall credit quality may be more volatile within this category.
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are:- i. Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct. ii. Often under strong, sustained competitive pressure. iii. Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium-term. iv. 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:- i. Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct. ii. Current and expected debt servicing capacity is inadequate. iii. Financial solvency is questionable and/or financial structure is weak. iv. Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. v. 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 for Investment Banking.

42.2.4 Impairment

The Group’s Classified Account Management Policy ("CAMP") and its corresponding Guidelines for the respective Line of Businesses are established to align with the Malaysian Financial Reporting Standards ("MFRS") and related BNM’s policies/ guidelines. In general, an asset is considered impaired when:-

a. The Group considers that an obligor is “unlikely to repay” in full its credit obligations to the Bank;
b. The obligor has breached its contractual payment obligations and past due for more than 90 days; or
c. Other indicators stipulated in the CAMP indicating the unlikeliness to repay.

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 rescheduling and restructuring ("R&R") provided by BNM Credit Risk Policy.

Group Provisioning Methodology

The Group’s provisioning methodology complies with MFRS 9 where the Group recognises ECL at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about ECL.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Group Provisioning Methodology (Cont'd.)

MFRS 9 applies to all financial assets classified as amortised cost and FVOCI, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. The Group calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

(i) Stage 1: For performing financial instruments which credit risk have not significantly increase since initial recognition.
(ii) Stage 2: For underperforming financial instruments which credit risk have significantly increased since initial recognition.
(iii) Stage 3: For financial instruments which are credit impaired.

Measurement of ECL

ECL can be assessed individually or collectively. Financial assets that are not individually significant or not individually credit impaired are collectively assessed. For financial assets that are individually significant, an assessment is performed to determine whether objective evidence of impairment exists individually.

Individual assessment is divided into two main processes - trigger assessment and measurement of impairment loss. Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment, i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value.

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

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

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

Significant increase in credit risk ("SICR")

The Group considers a financial instrument to have experienced a SICR when it is more than 30 days past due on its contractual payments. This includes both quantitative and qualitative analysis, based on the Group's historical experience, expert credit assessment and forward looking information.The requirement is to calculate remaining Lifetime ECL at the reporting date when the financial instrument experienced SICR, compared to one year ECL calculation when exposure was initially recognised.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

SICR (Cont'd.)

(i) Quantitative

Each exposure is allocated to a credit risk grade at initial recognition based on a variety of data that is determined to be predictive of the risk of default and experienced credit judgement about the borrower. Factors determining credit risk grades vary depending on nature of exposures and type of borrowers. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. There are 4 risk bands i.e. low risk, medium risk, high risk and very high risk whereby movements to a poorer band may result in SICR.

(ii) Qualitative

The Group may determine that an exposure has undergone a significant increase in credit risk experiences using its expert credit risk judgement and where possible, relevant historical experience based on qualitative indicators specified by the Group's watchlist criteria that it considers as such and whose effect may not otherwise be fully reflected in quantitative analysis on a timely basis.

In relation to non-retail financial instruments, where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty borrower basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Wholesale Credit Risk and Business Credit Risk team.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all financial instruments held by the Group.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(a) Quantitative criteria

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

(b) Qualitative criteria

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

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the EAD, PD and LGD throughout the Group's expected loss calculations.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Definition of default and credit-impaired assets (Cont'd.)

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.

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 rates ("LR")

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discount factor.

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

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

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Measurement of Expected Credit Loss ("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 growth ("GDP"), Kuala Lumpur Interbank Offered Rate ("KLIBOR"), and Consumer Price Index ("CPI").

3 scenarios are projected for forward looking namely base case, optimistic and pessimistic which requires management judgement of the economic situation i.e. normal, bullish or downturn. A weightage is applied to the scenarios to produce an appropriate forward looking ECL to best reflect the forward looking economic outlook.

Key variables / assumptions for ECL calculations

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. Thus includes establishing the forward-looking macroeconomic conditions into ECL as required under MFRS9, the allowance for ECL is sensitive to the input used and economic assumption underlying the estimate.

The following table shows the forecast of key economic variables used in forward looking models for ECL calculations.

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

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Measurement of Expected Credit Loss ("ECL") (Cont'd.)

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

The following table shows the forecast of key economic variables used in Forward Looking models for ECL calculations (Cont'd.).

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 Group may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. There are no such assets written off during the year ended 31 March 2021 and 31 March 2020. If there are any, the Group would still seek legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

The Group writes off financial assets in whole when it has exhausted all necessary recovery actions against credit exposures and there is minimal prospect of recovery and/or further recovery is not economical, then the credit exposures will be written off from both the general ledger and subsidiary ledger. During the financial year, there was a Stage 2 write-off of a share margin financing amounting to RM1.7 million.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.4 Impairment (Cont'd.)

Modified Financial Assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

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

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group then monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, and if so, the assets are moved from Stage 2 or Stage 3 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for 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.

There are no financial assets with lifetime ECL whose cash flows were modified during the current and previous financial year.

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.5 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 Group's and the Bank's internal credit rating system.

Loans 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
Group and Bank				
2021				
Risk grade				
Satisfactory	463,030	41,621	-	504,651
Moderate	597	29	-	626
Substandard	2,388	4,964	-	7,352
Gross exposure	466,015	46,614	-	512,629
Less: Allowances for ECL	(1)	-	-	(1)
Net exposure	466,014	46,614	-	512,628

	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
Group and Bank				
2020				
Risk grade				
Satisfactory	187,908	109,525	-	297,433
Moderate	715	7	-	722
Marginal	6,162	-	-	6,162
Substandard	2	6,093	-	6,095
Impaired	-	-	1,803	1,803
Gross exposure	194,787	115,625	1,803	312,215
Less: Allowances for ECL	(4)	-	(1,803)	(1,807)
Net exposure	194,783	115,625	-	310,408

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.5 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 Group's and the Bank's internal credit rating system (Cont'd.)

Other financial assets (using simplified approach)

	Lifetime ECL not credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total RM'000
Group			
2021			
Risk grade			
Exceptionally strong	106	-	106
Very strong	84,484	-	84,484
Strong	35,616	-	35,616
Satisfactory	44,941	-	44,941
Moderate	38	-	38
Substandard	60,046	-	60,046
Unrated	384,626	-	384,626
Impaired	-	3,031	3,031
Gross other financial assets	609,857	3,031	612,888
Less: Allowances for ECL	(1)	(3,031)	(3,032)
Net other financial assets	609,856	-	609,856
2020			
Risk grade			
Exceptionally strong	2,226	-	2,226
Very strong	80,813	-	80,813
Strong	12,979	-	12,979
Satisfactory	11,373	-	11,373
Moderate	38	-	38
Substandard	14,090	-	14,090
Unrated	461,559	-	461,559
Impaired	-	3,230	3,230
Gross other financial assets	583,078	3,230	586,308
Less: Allowances for ECL	(1)	(3,230)	(3,231)
Net other financial assets	583,077	-	583,077

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.5 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 Group's and the Bank's internal credit rating system (Cont'd.)

Other financial assets (using simplified approach) (Cont'd.)

	Lifetime ECL not credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total RM'000
Bank			
2021			
Risk grade			
Exceptionally strong	106	-	106
Very strong	56,719	-	56,719
Strong	35,616	-	35,616
Satisfactory	44,941	-	44,941
Moderate	38	-	38
Substandard	60,046	-	60,046
Unrated	389,322	-	389,322
Impaired	-	2,597	2,597
Gross other financial assets	586,788	2,597	589,385
Less: Allowances for ECL	(1)	(2,597)	(2,598)
Net other financial assets	586,787	-	586,787
2020			
Risk Grade			
Exceptionally strong	2,226	-	2,226
Very strong	49,554	-	49,554
Strong	12,979	-	12,979
Satisfactory	11,373	-	11,373
Moderate	38	-	38
Substandard	14,090	-	14,090
Unrated	466,500	-	466,500
Impaired	-	2,939	2,939
Gross other financial assets	556,760	2,939	559,699
Less: Allowances for ECL	(1)	(2,939)	(2,940)
Net other financial assets	556,759	-	556,759

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.5 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 Group's and the Bank's internal credit rating system (Cont'd.)

Cash and short-term funds

Stage 1 12-month ECL	**2021 RM'000**	**2020 RM'000**
Group		
Exceptionally strong	26,459	16,430
Very strong	208,650	269,178
Gross exposure	235,109	285,608
Less: Allowances for ECL	-	(2)
Net exposure	235,109	285,606
Bank		
Exceptionally strong	26,459	16,430
Very strong	109,165	195,287
Gross exposure	135,624	211,717
Less: Allowances for ECL	-	(2)
Net exposure	135,624	211,715

Financial investments at amortised cost

Stage 1 12-month ECL	**2021 RM'000**	**2020 RM'000**
Group and Bank		
2021		
Risk grade		
Exceptionally strong	30,007	60,032
Very strong	75,000	75,000
Net exposure	105,007	135,032

Statutory deposit with Bank Negara Malaysia

Stage 1 12-month ECL	**2021 RM'000**	**2020 RM'000**
Group and Bank		
Exceptionally strong	6,504	2,650

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Loan commitments

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit-impaired RM'000	Total RM'000
Group and Bank			
2021			
Satisfactory	233,267	2,665	235,932
Substandard	5,965	-	5,965
Net exposure	239,232	2,665	241,897
2020			
Satisfactory	142,638	-	142,638
Substandard	6,616	-	6,616
Net exposure	149,254	-	149,254

42.2.6 Estimated Value of Collateral for Gross Loans and Advances

	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group and Bank						
Gross loans and advances						
Share margin financing	504,253	300,428	504,253	298,625	-	1,803
Revolving credits	7,751	11,065	7,751	11,065	-	-
Staff loans	625	722	625	722	-	-
Total	512,629	312,215	512,629	310,412	-	1,803

42. RISK MANAGEMENT (CONT'D.)

42.3 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant draw-down of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

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

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• Liquidity Coverage Ratio ('LCR') • Other Detailed Controls
Control/ Mitigation	• LCR Limits • 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.

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 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 such as BNM LCR and BNM NSFR have been put in place to support the broader strategic objectives of the Bank. IBMR is responsible for developing and monitoring the controls and limits while Group Treasury & 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.

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Group 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	235,109	-	-	-	-	-	-	235,109
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,995	2,995
Financial investments at amortised cost	-	-	30,007	-	-	75,000	-	105,007
Loans and advances	512,038	13	19	39	290	229	-	512,628
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	6,504	-	6,504
Deferred tax assets	-	-	-	-	-	-	8,351	8,351
Other assets	607,919	528	587	10,511	3,933	1,681	-	625,159
Property and equipment	-	-	-	-	-	-	17,157	17,157
Right-of-use assets	-	-	-	-	-	-	3,904	3,904
Intangible assets	-	-	-	-	-	-	38,792	38,792
Total Assets	1,355,066	541	30,613	10,550	4,223	83,414	71,199	1,555,606
Liabilities								
Deposits and placements of banks and other financial institutions	270,000	315,000	-	-	-	-	-	585,000
Derivative financial liabilities	8	-	-	-	-	-	-	8
Other liabilities	467,247	20,511	3,362	8,838	4,471	1,085	5,161	510,675
Total Liabilities	737,255	335,511	3,362	8,838	4,471	1,085	5,161	1,095,683
Net Gap	617,811	(334,970)	27,251	1,712	(248)	82,329	66,038	459,923

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Group 2020	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	285,606	-	-	-	-	-	-	285,606
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	48	48
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,771	2,771
Financial investments at amortised cost	30,019	-	-	-	30,013	75,000	-	135,032
Loans and advances	309,699	27	41	63	326	252	-	310,408
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,650	-	2,650
Deferred tax assets	-	-	-	-	-	-	10,086	10,086
Other assets	580,075	811	1,171	29,156	8,559	444	-	620,216
Property and equipment	-	-	-	-	-	-	17,670	17,670
Right-of-use assets	-	-	-	-	-	-	4,659	4,659
Intangible assets	-	-	-	-	-	-	37,971	37,971
Total Assets	1,205,399	838	1,212	29,219	38,898	78,346	73,205	1,427,117
Liabilities								
Deposits and placements of banks and other financial institutions	120,000	120,000	-	-	-	-	-	240,000
Derivative financial liabilities	6	-	-	-	-	-	-	6
Other liabilities	556,539	21,745	2,590	1,699	3,838	1,727	-	588,138
Total Liabilities	676,545	141,745	2,590	1,699	3,838	1,727	-	828,144
Net Gap	528,854	(140,907)	(1,378)	27,520	35,060	76,619	73,205	598,973

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Bank **2021**	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**>3 to 6 months RM'000**	**>6 to 12 months RM'000**	**>1 to 5 years RM'000**	**Over 5 years RM'000**	**No maturity specified RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	135,624	-	-	-	-	-	-	135,624
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,995	2,995
Financial investments at amortised cost	-	-	30,007	-	-	75,000	-	105,007
Loans and advances	512,038	13	19	39	290	229	-	512,628
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	6,504	-	6,504
Deferred tax assets	-	-	-	-	-	-	5,742	5,742
Investment in subsidiaries	-	-	-	-	-	-	51,441	51,441
Other assets	581,817	528	587	10,511	3,933	1,681	-	599,057
Property and equipment	-	-	-	-	-	-	16,807	16,807
Right-of-use assets	-	-	-	-	-	-	3,904	3,904
Intangible assets	-	-	-	-	-	-	1,872	1,872
Total Assets	1,229,479	541	30,613	10,550	4,223	83,414	82,761	1,441,581
Liabilities								
Deposits and placements of banks and other financial institutions	270,000	315,000	-	-	-	-	-	585,000
Derivative financial liabilities	8	-	-	-	-	-	-	8
Other liabilities	454,306	17,277	3,362	8,838	4,471	1,085	-	489,339
Total Liabilities	724,314	332,277	3,362	8,838	4,471	1,085	-	1,074,347
Net Gap	505,165	(331,736)	27,251	1,712	(248)	82,329	82,761	367,234

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Bank **2020**	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**>3 to 6 months RM'000**	**>6 to 12 months RM'000**	**>1 to 5 years RM'000**	**Over 5 years RM'000**	**No maturity specified RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	211,715	-	-	-	-	-	-	211,715
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	48	48
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,771	2,771
Financial investments at amortised cost	30,019	-	-	-	30,013	75,000	-	135,032
Loans and advances	309,699	27	41	63	326	252	-	310,408
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,650	-	2,650
Deferred tax assets	-	-	-	-	-	-	7,131	7,131
Investment in subsidiaries	-	-	-	-	-	-	56,256	56,256
Other assets	551,136	811	1,171	29,156	8,559	444	-	591,277
Property and equipment	-	-	-	-	-	-	17,176	17,176
Right-of-use assets	-	-	-	-	-	-	4,659	4,659
Intangible assets	-	-	-	-	-	-	1,116	1,116
Total Assets	1,102,569	838	1,212	29,219	38,898	78,346	89,157	1,340,239
Liabilities								
Deposits and placements of banks and other financial institutions	120,000	120,000	-	-	-	-	-	240,000
Derivative financial liabilities	6	-	-	-	-	-	-	6
Other liabilities	549,248	21,745	2,520	1,699	3,838	1,727	-	580,777
Total Liabilities	669,254	141,745	2,520	1,699	3,838	1,727	-	820,783
Net Gap	433,315	(140,907)	(1,308)	27,520	35,060	76,619	89,157	519,456

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Liabilities								
Deposits and placements of banks and other financial institutions	270,425	316,013	-	-	-	-	-	586,438
Derivative financial liabilities	8	-	-	-	-	-	-	8
Other liabilities*	467,242	19,859	3,362	8,838	4,471	1,085	5,161	510,018
Total Undiscounted Liabilities	737,675	335,872	3,362	8,838	4,471	1,085	5,161	1,096,464
Commitments								
Irrevocable commitments to extend credit	228,203	6,090	2,500	5,104	-	-	-	241,897
Total commitments	228,203	6,090	2,500	5,104	-	-	-	241,897
Group								
2020								
Liabilities								
Deposits and placements of banks and other financial institutions	120,622	120,580	-	-	-	-	-	241,202
Derivative financial liabilities	6	-	-	-	-	-	-	6
Other liabilities*	553,873	21,490	2,590	2,154	4,747	1,727	-	586,581
Total Undiscounted Liabilities	674,501	142,070	2,590	2,154	4,747	1,727	-	827,789
Commitments								
Irrevocable commitments to extend credit	116,670	10,475	350	21,759	-	-	-	149,254
Total commitments	116,670	10,475	350	21,759	-	-	-	149,254

*The balances had included the undiscounted contractual payments for lease liabilities. Detail maturity analysis for lease commitment is disclosed in Note 20(c).

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2021								
Liabilities								
Deposits and placements of banks and other financial institutions	270,425	316,013	-	-	-	-	-	586,438
Derivative financial liabilities	8	-	-	-	-	-	-	8
Other liabilities*	454,301	16,625	3,362	8,838	4,471	1,085	-	488,682
Total Undiscounted Liabilities	724,734	332,638	3,362	8,838	4,471	1,085	-	1,075,128
Commitments								
Irrevocable commitments to extend credit	228,203	6,090	2,500	5,104	-	-	-	241,897
Total commitments	228,203	6,090	2,500	5,104	-	-	-	241,897
Bank								
2020								
Liabilities								
Deposits and placements of banks and other financial institutions	120,622	120,580	-	-	-	-	-	241,202
Derivative financial liabilities	6	-	-	-	-	-	-	6
Other liabilities*	548,631	21,490	2,520	1,699	3,838	1,727	-	579,905
Total Undiscounted Liabilities	669,259	142,070	2,520	1,699	3,838	1,727	-	821,113
Commitments								
Irrevocable commitments to extend credit	116,670	10,475	350	21,759	-	-	-	149,254
Total commitments	116,670	10,475	350	21,759	-	-	-	149,254

*The balances had included the undiscounted contractual payments for lease liabilities. Detail maturity analysis for lease commitment is disclosed in Note 20(c).

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The 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 Investment Banking and Market Risk (“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") • Other Detailed Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group and the Bank act 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.

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.

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

IBMR independently monitors risk exposures against limits on a daily basis. Portfolio market risk positions are independently monitored and reported by IBMR to GMRC, RMC and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits and to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

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

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

Non-Traded Market Risk

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

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

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• Present value of 1 basis point ("PV01") • Earnings-at-Risk ("EaR")
Control/ Mitigation	• PV01 limits • EaR limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of investment banking lending activities (primarily revolving credit facilities) creates interest/profit rate-sensitive positions in the Group's and the Bank's statement of financial position.

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

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT (CONT'D.)

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

The Group and the Bank measure the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest

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

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

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

The Group's and the Bank’s strategy seeks to optimise exposure to IRR/RORBB within Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using various product and funding strategies. These approaches are governed by 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 Interest/Profit Rate Risk Framework.

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

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk/rate of return risk (“IRR/ROR”) is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group’s income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group’s and the Bank’s profit before taxation to a reasonable possible change in interest/profit rate with all other variables remaining constant.

The Group and the Bank

Non-Traded Market Risk:	**2021**		**2020**	
	Interest/ profit rate	**Interest/ profit rate**	**Interest/ profit rate**	**Interest/ profit rate**
	+ 100 bps (RM'000)	**- 100 bps (RM'000)**	**+ 100 bps (RM'000)**	**- 100 bps (RM'000)**
Impact on profit before taxation	72	(72)	109	(109)

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk

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

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

Impact on profit before taxation:

	2021		2020	
Currency	**Foreign exchange rate + 10 % (RM'000)**	**Foreign exchange rate - 10 % (RM'000)**	**Foreign exchange rate + 10 % (RM'000)**	**Foreign exchange rate - 10 % (RM'000)**
Group				
USD	717	(717)	2,092	(2,092)
SGD	1,467	(1,467)	129	(129)
AUD	107	(107)	39	(39)
JPY	-	-	2	(2)
GBP	1	(1)	3	(3)
Others	6	(6)	11	(11)
Bank				
USD	124	(124)	1,624	(1,624)
SGD	1,407	(1,407)	71	(71)
AUD	1	(1)	1	(1)
JPY	-	-	2	(2)
GBP	1	(1)	3	(3)
Others	6	(6)	11	(11)

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

(iii) Equity Price Risk

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

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

	2021		2020	
	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)
Group and Bank				
Impact on profit before taxation	-	-	(2)	2

42.5 OPERATIONAL RISK MANAGEMENT

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

Identification	• Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self-Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis • Validation of Controls Testing
Control/ Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and Entity, reporting of Operational Risk Board and Management triggers, risk profile status, key risk indicator breaches and key control testing exceptions and framework adherence • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk. It excludes strategic, systemic and reputational risk.

42. RISK MANAGEMENT (CONT'D.)

42.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Operational Risk Appetite ("ORA") is set as part of overall Group Risk Appetite Framework ("GRAF"), which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non financial risk or return attributes in order to support the achievement of Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing.

- Fraud (internal and external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management.

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

- The first line of defence ("FLOD") is the responsibility of the management of operational risk to ensure that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced FLOD provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

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

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

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

- The Incident Management and Data Collection (“IMDC”) module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.

- The Risk and Control Self Assessment (“RCSA”) is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group and the Bank.

- 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 testings 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.

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

42. RISK MANAGEMENT (CONT'D.)

42.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

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	• Incident Business Impact Analysis • Risk Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity ("BC") Plan
Monitoring/ Review	• BC Plan testing and exercise • Review of BC Plan • BC site readiness and maintenance

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

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

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

42.6 CYBER RISKS MANAGEMENT

Cybersecurity risk remain a persistent threat for the financial industry. Driven by the constantly evolving nature and sophistication of cyber threats and attack vectors, this calls for increased vigilance, readiness and ability to respond to upcoming threats. The resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information. The Group continues to enhance its cyber security controls framework, execute internal assessment reviews, build defense mechanisms and uplift governance processes alongside the Group's cyber risk management strategy - to identify threats in a timely manner, and build or enhance the right defenses to mitigate risks. Creating a security mindset for employees and customers via its Cyber Security awareness programs also remains a priority. The Group has also broadened its technology risk management capabilities to have oversight over infrastructure security risk, application security risk and third party security risk. The Group Technology Risk team acts as a second line of defence to monitor alongside the first line of defence to ensure that risks and controls are properly managed.

42.7 LEGAL RISK

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgement, failure to respond to changes in regulatory requirements and failure to protect assets (including intellectual properties) owned by the Group which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by the AMMB GMRC, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is appropriately managed.

42. RISK MANAGEMENT (CONT'D.)

42.8 REGULATORY COMPLIANCE RISK

AMMB Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

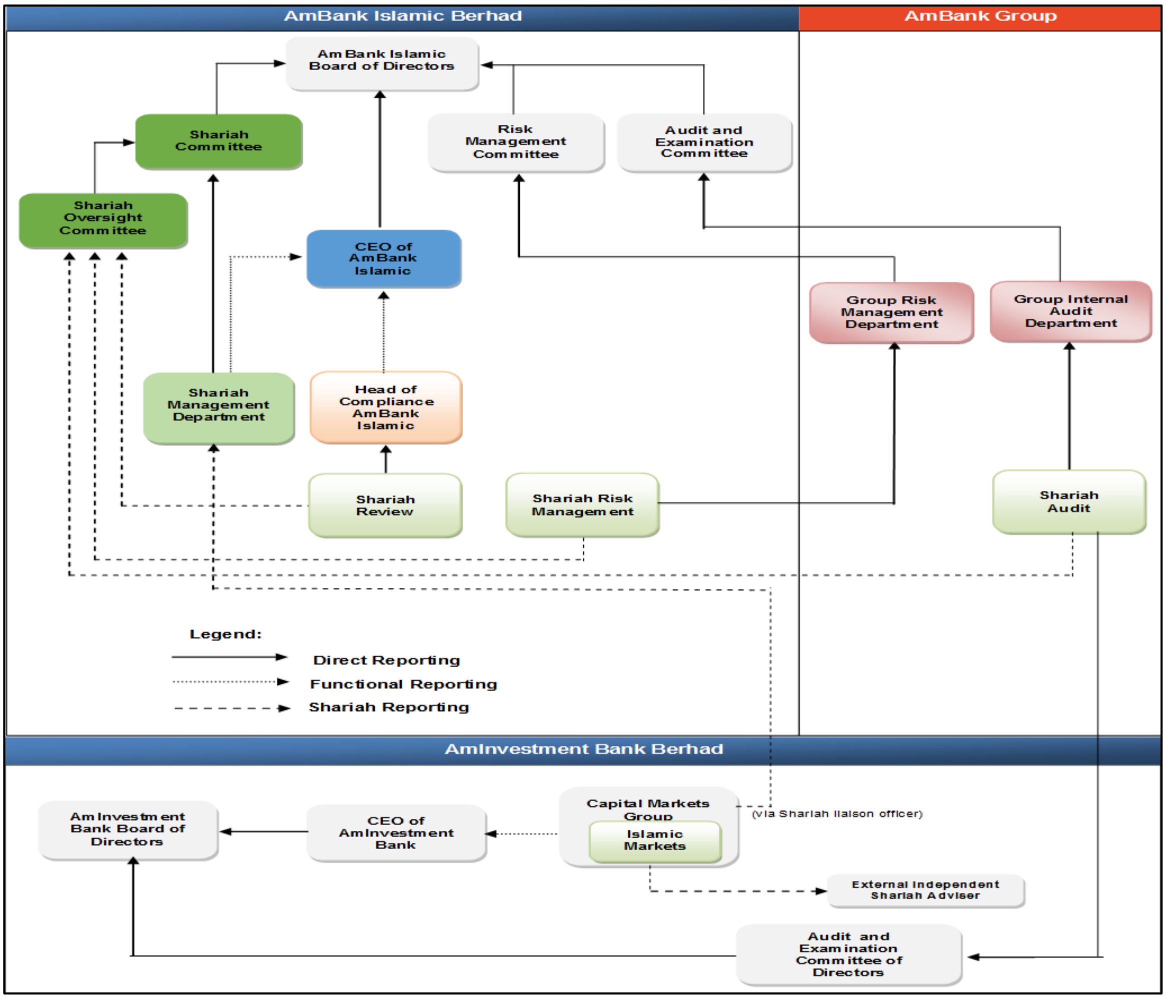
The Group Chief Compliance Officer has a direct reporting line to the Risk Management Committee (RMC) of the Board. A governance structure is in place for escalation and reporting of compliance risks and issues through monthly compliance reports to the RMC and Board.

The compliance framework details the roles and responsibilities for compliance with regulatory guidelines and requirements. The responsible parties are accountable for the management of compliance risks associated with AMMB Group's processes and increasing awareness on the role of every employee to be compliant and safeguard 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. 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. AMMB Group has zero tolerance for any form of bribery or corruption.

AMMB Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

42.9 SHARIAH GOVERNANCE STRUCTURE



42. RISK MANAGEMENT (CONT'D.)

42.9 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

A Shariah governance framework is put in place in the organizational structure of the Group for its Islamic Banking Operation, in accordance with the requirements of BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure the Islamic operations and business activities of the Group, including the Bank comply with Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013 ("IFSA 2013") and the relevant guidelines issued by Securities Commission Malaysia ("SC").

The Bank adopts a leverage model (with some minor refinements/enhancements during the current financial year) whereby, through its Islamic window i.e. Islamic Markets ("IM"), it leverages on AmBank Islamic Shariah Governance Structure, including the Shariah Committee of AmBank Islamic Berhad. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Board of Directors
The Board of the Bank is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance pursuant to the IFSA 2013. The Board performs its oversight through various committees such as the AEC, RMC and the Shariah Committee.

Audit Examination Committee ("AEC")
AEC is a Board committee of the Bank responsible for assisting the Board in ensuring Islamic Banking/Islamic capital markets operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by AMMB Group Internal Audit Department.

Risk Management Committee ("RMC")
RMC is a Board Committee of the Bank responsible for assisting the Board in ensuring risk management and control process are in place and functioning, including Shariah risk management.

Shariah Committee
The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating Islamic capital market products and services, Shariah policies and the relevant documentation in relation to the Bank's Islamic finance and Islamic capital markets operations and business activities.

Shariah Liaison Officer, IM
As per the leveraging model, the Bank via IM leverages on AmBank Islamic Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Research & Advisory, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant line of businesses ("LOBs") under the Bank with regards to Islamic capital market products and services.

Shariah Oversight Committee
The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on Islamic capital markets product and services from Shariah perspective. In that regard, the Shariah Oversight Committee is responsible to oversee on Shariah aspects, the functions of Shariah Review, Shariah Risk Management, and Shariah Audit. The Shariah Oversight Committee also provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Management
Management via IM, including the Chief Executive Officer ("CEO") of the Bank, is responsible to make reference to the Shariah Committee or the external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management or the CEO is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

42. RISK MANAGEMENT (CONT'D.)

42.9 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Shariah Research & Advisory

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

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

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

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

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

Shariah Risk Management
IM's Shariah Risk Management role is accountable to the RMC. A designated team namely the Shariah Risk Management team within the AMMB Group Operational Risk is responsible for the management of Shariah risk for the Bank. The Shariah Risk Management is a function to systematically identify, measure, monitor and control the occurrence of Shariah non-compliance risks and to mitigate any possible non-compliant events. Endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st - Capital Markets Group (via Islamic Markets unit); 2nd – Shariah Risk Management, the Bank's Compliance and the appointed Shariah Adviser (Shariah Committee and/or independent Shariah adviser), where applicable; 3rd – AMMB Group Internal Audit Department.

Shariah Review
The Shariah Review's role which is undertaken by AMMB Group Compliance is to review the activities of Capital Markets Group which covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. Endorsement by the appointed Shariah adviser which is part of the requirements by the SC for all Islamic capital markets products serves as assurance that the Islamic capital markets products are Shariah compliant and ready for market distribution.

Shariah Audit
The Shariah Audit function is accountable to the AEC. A designated team within the AMMB Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic capital market products and services operations through the Shariah Audit function. The Shariah audit covers all activities particularly the operational components of AmInvestment Islamic window that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

Shariah Non-Compliant Income
There had been no Shariah non-compliant incidents and purification of income for the financial year ended 31 March 2021 and year ended 31 March 2020.

43. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair value are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and other investment and 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.

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

Group and Bank

	2021		2020	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets				
Financial investments at amortised cost	105,007	108,418	135,032	138,100

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

43.2 The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities:

	Group				Bank			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets measured at fair value								
Financial investments at FVOCI								
- Unquoted shares	-	-	2,995	2,995	-	-	2,995	2,995
	-	-	2,995	2,995	-	-	2,995	2,995
Assets for which fair values are disclosed								
Financial investments at amortised cost								
- Money market securities	-	30,232	-	30,232	-	30,232	-	30,232
- Unquoted corporate bonds	-	78,186	-	78,186	-	78,186	-	78,186
	-	108,418	-	108,418	-	108,418	-	108,418
Liabilities measured at fair value								
Derivative financial liabilities	8	-	-	8	8	-	-	8

	Group				Bank			
2020	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets measured at fair value								
Financial assets at FVTPL								
- Quoted unit trusts	48	-	-	48	48	-	-	48
Financial investments at FVOCI			-					
- Unquoted securities	-	-	2,771	2,771	-	-	2,771	2,771
	48	-	2,771	2,819	48	-	2,771	2,819
Assets for which fair values are disclosed								
Financial investments at amortised cost								
- Money market securities	-	60,476	-	60,476	-	60,476	-	60,476
- Unquoted corporate bonds	-	77,624	-	77,624	-	77,624	-	77,624
	-	138,100	-	138,100	-	138,100	-	138,100
Liabilities measured at fair value								
Derivative financial liabilities	6	-	-	6	6	-	-	6

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

43.3 Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets and financial liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Loans and advances

The fair value of variable rate loans and advances are estimated to approximate their carrying values. For fixed rate loans 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 loans and advances, the fair values are deemed to approximate the carrying value (net of impairment losses).

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 AMMB Group’s own models whereby the majority of assumptions are market observable.

Non-market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or the Bank. Therefore, unobservable inputs reflect the Group’s and 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 Group’s and the Bank's own data as well as financial information from the counterparties. Unquoted equity investments at FVOCI are measured using adjusted net asset based on available market information.

All (31 March 2020 : 98.3%) of the Group's and the Bank's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

There is no transfer between Level 1 and Level 2 during the current and previous financial year for the Group and the Bank.

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

43.4 Movements In Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	Equity instruments at FVOCI	
	2021	**2020**
	RM'000	**RM'000**
Group and Bank		
Balance at beginning of the financial year	2,771	2,889
Unrealised gain/(loss) on changes in fair value taken up in statement of comprehensive income	224	(118)
Balance at end of the financial year	2,995	2,771

There were no transfers between Level 2 and Level 3 during the current and previous financial year for the Group and the Bank.

Total gains or losses included in the statement of comprehensive income for financial instruments held at the end of reporting period:

	2021	**2020**
	RM'000	**RM'000**
Financial investments at fair value through other comprehensive income		
Unrealised gain/(loss) in fair value reserve	224	(118)

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

44. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision-Maker in order to allocate resources to segment and to assess its performance. The division forms the basis on which the Group reports its segment information.

1. The Group comprises the following main business segments:

(a) Investment banking
The Investment banking division of the Group, offers a full range of investment banking solutions and services, encompassing the following business segments:

i. Equity Markets – provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline;

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

iii. Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group;

iv. Corporate finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support;

v. Capital markets – provides debt financing solutions to clients through a wide array of products which include conventional and Islamic Private Debt Securities, loan syndication, capital and project advisory as well as structured finance and securitization deals; and

vi. Others – other Investment Banking supporting function within the Group.

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

2. Measurements of Segment Performance
The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

3. Operating Revenue
Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

4. Major customers
No revenue from one single customer amounted to greater than 10% of the Group's revenue for the current and previous financial years.

Note:

(i) The revenue generated by a majority of the operating segments substantially comprise fee income. The Chief Operating Decision-Maker relies primarily on the net fee income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

(ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

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

44. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2021 Group	Investment Banking: Equity Markets RM'000	Investment Banking: Fund Management RM'000	Investment Banking: Private Banking RM'000	Investment Banking: Corporate Finance RM'000	Investment Banking: Capital Markets RM'000	Investment Banking: Others RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	102,610	137,135	45,359	12,495	8,470	80	5,865	312,014
Revenue from other segments	(435)	-	(231)	(4)	152	20	498	-
Revenue	102,175	137,135	45,128	12,491	8,622	100	6,363	312,014
Net interest income/(expense)	25,381	1,065	118	(5)	152	21	532	27,264
Other operating income (net of direct costs)	76,637	135,850	45,010	12,496	8,470	79	199	278,741
Total income	102,018	136,915	45,128	12,491	8,622	100	731	306,005
Other operating expenses	(50,143)	(64,640)	(23,548)	(14,306)	(9,134)	(6,450)	(6,613)	(174,834)
of which:								
Depreciation of property and equipment	(635)	(222)	(103)	(49)	(37)	(75)	(1,057)	(2,178)
Depreciation of right-of-use assets	-	-	-	-	-	-	(755)	(755)
Amortisation of intangible assets	(380)	(187)	(182)	(12)	(12)	(50)	(68)	(891)
Profit/(loss) before impairment losses	51,875	72,275	21,580	(1,815)	(512)	(6,350)	(5,882)	131,171
Writeback of impairment on loan and advances	135	-	-	-	-	-	3,034	3,169
Writeback of/(allowance for) impairment losses on other assets	1	(143)	-	294	-	1	1	154
Allowance for provision for commitments and contingencies	-	-	-	-	-	-	832	832
Other recoveries	11	-	-	-	-	-	-	11
Apportionment of settlement cost	-	-	-	-	-	-	(295,000)	(295,000)
Profit/(loss) before taxation	52,022	72,132	21,580	(1,521)	(512)	(6,349)	(297,015)	(159,663)
Taxation	(12,486)	(14,403)	(5,179)	365	123	1,524	(8,374)	(38,430)
Profit/(loss) for the financial year	39,536	57,729	16,401	(1,156)	(389)	(4,825)	(305,389)	(198,093)
Other information:								
Total segment assets	1,149,928	132,557	14,561	2,858	334	250	255,118	1,555,606
Total segment liabilities	442,920	26,669	11,030	1,964	3,100	1,282	608,718	1,095,683
Cost to income ratio	49.2%	47.2%	52.2%	>100%	>100%	>100%	>100%	57.1%
Gross loans and advances	504,253	-	7,751	-	-	-	625	512,629
Net loans and advances	504,253	-	7,751	-	-	-	624	512,628
Impaired loans and advances	-	-	-	-	-	-	-	-
Total deposits and placements	-	-	-	-	-	-	585,000	585,000
Additions to:								
Property and equipment	397	78	97	119	-	312	662	1,665
Intangible assets	855	252	279	40	-	-	286	1,712

44. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2020 (restated) **Group**	**Investment Banking** **Equity Markets** **RM'000**	**Fund Management** **RM'000**	**Private Banking** **RM'000**	**Corporate Finance** **RM'000**	**Capital Markets** **RM'000**	**Others** **RM'000**	**Group Funding and Others** **RM'000**	**Total** **RM'000**
External revenue	57,401	108,166	39,130	18,722	38,773	133	14,278	276,603
Revenue from other segments	(262)	-	(644)	(54)	(74)	22	1,012	-
Revenue	57,139	108,166	38,486	18,668	38,699	155	15,290	276,603
Net interest income/(expense)	20,569	1,066	171	(54)	(74)	22	2,418	24,118
Other operating income (net of direct costs)	36,311	106,883	38,315	18,722	38,773	133	3,667	242,804
Total income	56,880	107,949	38,486	18,668	38,699	155	6,085	266,922
Other operating expenses	(51,846)	(62,268)	(20,972)	(16,596)	(10,232)	(7,154)	(15,550)	(184,618)
of which:								
Depreciation of property and equipment	(491)	(271)	(109)	(42)	(41)	(67)	(1,023)	(2,044)
Depreciation of right-of-use assets	-	-	-	-	-	-	(1,541)	(1,541)
Amortisation of intangible assets	(532)	(174)	(136)	(4)	(11)	(54)	(62)	(973)
Profit/(loss) before impairment losses	5,034	45,681	17,514	2,072	28,467	(6,999)	(9,465)	82,304
(Allowance for)/writeback of impairment on loan and advances	(135)	-	-	-	-	-	3	(132)
Writeback of/(allowance for) impairment losses on other assets	11	(125)	-	(603)	-	1	4	(712)
Allowance for provision for commitments and contingencies	-	-	-	-	-	-	(232)	(232)
Other recoveries	34	(5)	-	-	-		-	29
Profit/(loss) before taxation	4,944	45,551	17,514	1,469	28,467	(6,998)	(9,690)	81,257
Taxation	(1,186)	(8,736)	(4,203)	(353)	(6,832)	1,679	2,042	(17,589)
Profit/(loss) for the financial year	3,758	36,815	13,311	1,116	21,635	(5,319)	(7,648)	63,668
Other information:								
Total segment assets	898,579	110,299	13,478	2,261	673	335	401,492	1,427,117
Total segment liabilities	511,268	27,140	5,459	2,736	3,667	2,428	275,446	828,144
Cost to income ratio	91.1%	57.7%	54.5%	88.9%	26.4%	>100%	>100%	69.2%
Gross loans and advances	300,428	-	11,065	-	-	-	722	312,215
Net loans and advances	298,625	-	11,065	-	-	-	718	310,408
Impaired loans and advances	1,803	-	-	-	-	-	-	1,803
Total deposits and placements	-	-	-	-	-	-	240,000	240,000
Additions to:								
Property and equipment	1,597	94	97	15	-	39	69	1,911
Intangible assets	132	218	-	10	-	6	18	384

45. OFFSETTING OF FINANCIAL ASSET AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements excluding financial assets not subject to offset and that are only subject to collateral arrangements (e.g. loans and advances) are as follows:-

				Amount not offset in the statements of financial position		
Group	**Gross amount of recognised financial assets/ liabilities RM'000**	**Gross amount offset in the statements of financial position RM'000**	**Amount presented in the statements of financial position RM'000**	**Financial Instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net Amount RM'000**
31 March 2021						
Other assets	650,035	(24,876)	625,159	(170,489)	(16,435)	438,235
Other liabilities	535,551	(24,876)	510,675	-	-	510,675
31 March 2020						
Other assets	629,226	(9,010)	620,216	(36,096)	(10,731)	573,389
Other liabilities	597,148	(9,010)	588,138	-	-	588,138
Bank						
31 March 2021						
Other assets	623,933	(24,876)	599,057	(170,489)	(16,435)	412,133
Other liabilities	514,215	(24,876)	489,339	-	-	489,339
31 March 2020						
Other assets	600,287	(9,010)	591,277	(36,096)	(10,731)	544,450
Other liabilities	589,787	(9,010)	580,777	-	-	580,777

46. RESTATEMENT OF COMPARATIVE INFORMATION

During the current financial year, the Group and the Bank completed the Regulatory Enhancement Project which aims to improve and provide better reporting of loans, advances and financing to regulators. The enhancement had involved review and reassessment of certain disclosure classification of loans and advances. The review and reassessment did not result in any changes to total loans and advances balances, impaired loans and advances or impairment allowances for loans and advances except for certain amendments in disclosure of gross loans and advances by customer, by interest rate/rate of return sensitivity, by sector and by residual contractual maturity as at 31 March 2020 as reflected in the restated disclosure in Note 11(a), (c), (d) and (e) and disclosure of industry analysis of credit exposure of loans and advances as at 31 March 2020 as reflected in the restated disclosure in Note 42.2.1a. The restatement did not have any effect on reported cashflows from operations, financial position and performance of the Group and the Bank.

47. SIGNIFICANT EVENTS

(a) Settlement with Ministry of Finance ("MOF") Malaysia on historical transactions by AMMB

On 26 February 2021, the holding company, AMMB announced that it had reached an agreement with the Ministry of Finance ("MOF") Malaysia for a full and final settlement of RM2.83 billion ("the Settlement") in relation to the review by the relevant authorities of historical transactions of AMMB Group with 1Malaysia Development Berhad (1MDB) and its related entities.

The Settlement of these legacy matters will enable AMMB Group to focus on executing its strategies for its business without any distractions. AMMB Group is committed to continue to deliver value to shareholders, stakeholders and customers.

The Settlement has been fully provided in AMMB Group's financial results for the year ended 31 March 2021 and the settlement charge is apportioned between the Bank and its related company, AmBank (M) Berhad based on nature of income approach. This resulted in RM295 million being apportioned to the Bank and the Bank has fully provided the Settlement in the Group and the Bank's financial results for the year ended 31 March 2021.

The Settlement resulted in a reduction of Core Capital Equity Tier 1 ("CET1") of 2.494% and Total Capital Ratio of 2.189% of AMMB Group.

Subsequently on 30 March 2021, the Bank received equity injection from AMMB of RM130 million by way of issuance of 114,035,088 new ordinary shares to AMMB with the objective to restore its CET1 and Total Capital Ratio.

The effects of settlement and equity injection to its CET 1 and Total Capital Ratio are as follows:

	Ratio as at 31.3.2021 prior to apportionment cost and equity injection	Upon recognition of apportionment settlement cost - RM295 million	Upon equity injection - RM130 million	Ratio as at 31.03.2021
Group				
CET1 Capital Ratio	41.878%	-21.417%	+9.438%	29.899%
Total Capital Ratio	41.878%	-21.417%	+9.438%	29.899%
Bank				
CET1 Capital Ratio	41.998%	-26.146%	+11.522%	27.374%
Total Capital Ratio	41.998%	-26.146%	+11.522%	27.374%

The Group remains resilient and highly liquid, with Liquidity Coverage Ratio of 160.55% and Net Stable Funding Ratio for all operating entities above 100%.

47. SIGNIFICANT EVENTS (CONT'D.)

(b) COVID-19 impact on the Group and the Bank

The COVID-19 outbreak was declared a pandemic by World Health Organization in March 2020. The pandemic and the response of the Malaysian government as well as other governments globally in dealing with the pandemic adversely affected and continues to affect the general activity levels within the community, the economy and the operations of various businesses. As the pandemic continues to evolve, it is challenging to predict the full extent and duration of its impact on businesses and the economy, locally and globally.

The Group and the Bank’s results for the current financial year were affected by the increased volatility in the share market as well as the higher trading volume and value in Bursa Malaysia. The Group and the Bank is monitoring the situation closely and would continue to assess the impact on the Group's and the Bank’s performance as the situation develops.

48. OPERATIONS OF ISLAMIC BANKING

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities:

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	Group and Bank 2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	(ii)	39,934	91,867
Other receivables, deposits and prepayments		91,761	32,627
Deferred tax assets	(iii)	268	299
Property and equipment	(iv)	-	1
TOTAL ASSETS		131,963	124,794
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities	(vi)	13,482	13,541
TOTAL LIABILITIES		13,482	13,541
ISLAMIC BANKING FUNDS			
Capital funds	(vii)	30,000	30,000
Reserves		88,481	81,253
Islamic Banking Funds		118,481	111,253
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		131,963	124,794

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

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

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

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Income derived from investment of depositors' funds and others	(viii)	73	224
Income derived from investment of Islamic banking funds	(x)	11,074	26,514
Direct costs	(xi)	(281)	(73)
Total distributable income		10,866	26,665
Income attributable to the depositors	(ix)	-	(6)
Total net income	(xv)	10,866	26,659
Other operating expenses	(xii)	(1,355)	(1,451)
Profit before taxation		9,511	25,208
Taxation	(xiii)	(2,283)	(6,046)
Profit after taxation		7,228	19,162

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

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

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

	Non-distributable	Distributable	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
At 1 April 2019	30,000	62,091	92,091
Profit for the financial year	-	19,162	19,162
At 31 March 2020	30,000	81,253	111,253
At 1 April 2020	30,000	81,253	111,253
Profit for the financial year	-	7,228	7,228
At 31 March 2021	30,000	88,481	118,481

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

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

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

	Note	Group and Bank 2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,511	25,208
Add adjustment for:			
Depreciation of property and equipment	(iv)	1	3
Operating profit before working capital changes		9,512	25,211
(Increase)/Decrease in operating assets:			
Other receivables, deposits and prepayments		(59,134)	3,612
(Decrease)/Increase in operating liabilities:			
Other liabilities		(2,311)	1,162
Net cash (used in)/generated from operating activities		(51,933)	29,985
Net (decrease)/increase in cash and cash equivalents		(51,933)	29,985
Cash and cash equivalents at beginning of the financial year		91,867	61,882
Cash and cash equivalents at end of the financial year	(ii)	39,934	91,867

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

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisors

The Group's and Bank’s Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Asst. Professor Dr. Tajul Aris bin Ahmad Bustami, Prof. Dr. Amir Husin bin Mohd Nor, Assoc. Prof. Datin Dr. Noor Naemah binti Abdul Rahman, Assoc. Prof. Dr. Adnan bin Yusoff, and Assoc. Prof. Dr. Asmak Ab Rahman and Dr. Ahmad Zaki Salleh. The roles and authorities of the Shariah Advisors are as follows:

(a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.

(b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat obligations

The Group and Bank do not pay zakat on behalf of the shareholders or depositors.

(ii) CASH AND SHORT-TERM FUNDS

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Cash and bank balances	18,734	15,617
Deposit placement maturing within one month:		
Licensed banks	21,200	76,250
	39,934	91,867

(iii) DEFERRED TAX ASSETS

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Balance at beginning of financial year	299	240
Recognised in statement of profit or loss (Note xiii)	(31)	59
Balance at end of the financial year	268	299

The deferred taxation asset/(liability) is in respect of the following:

	2021	2020
Temporary differences from provisions for expenses	39	66
Other temporary differences	229	233
	268	299

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

(iv) PROPERTY AND EQUIPMENT

Group and Bank	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2021				
COST				
At beginning and end of the financial year	88	44	81	213
ACCUMULATED DEPRECIATION				
At beginning of the financial year	88	43	81	212
Depreciation charge for financial year	-	1	-	1
At end of the financial year	88	44	81	213
NET BOOK VALUE				
At end of the financial year	-	-	-	-
2020				
COST				
At beginning and end of the financial year	88	44	81	213
ACCUMULATED DEPRECIATION				
At beginning of the financial year	88	41	80	209
Depreciation charge for financial year	-	2	1	3
At end of the financial year	88	43	81	212
NET BOOK VALUE				
At end of the financial year	-	1	-	1

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

(v) INTANGIBLE ASSETS

Computer Software	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
COST		
Balance at beginning and end of the financial year	16	16
ACCUMULATED AMORTISATION		
Balance at beginning and end of the financial year	16	16
NET CARRYING AMOUNT	-	-

(vi) OTHER LIABILITIES

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Trade payables	-	2,084
Other payables and accruals	1,167	1,395
Amount due to conventional	12,315	10,062
	13,482	13,541

(vii) CAPITAL FUNDS

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Allocated:		
Balance at beginning and end of the financial year	30,000	30,000
Utilised:		
Balance at beginning and end of the financial year	30,000	30,000

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

(viii) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Income derived from investment of other deposits	73	224

Income derived from investment of other deposits is derived from finance income and hibah from deposits with banks and other financial institutions.

(ix) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Other deposit and placement from Head Office	-	6

(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance income and hibah:		
Deposits with a bank	618	1,755
Other finance income	2,461	1,321
	3,079	3,076
Fee and commission income:		
Brokerage fees and commissions	1,295	542
Corporate advisory	375	1,398
Fees on financing and securities	6,307	21,513
	7,977	23,453
Foreign exchange loss	-	(15)
Other operating income	18	-
Total	11,074	26,514

(xi) DIRECT COSTS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Brokerage commission	237	33
Others	44	40
	281	73

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

(xii) OTHER OPERATING EXPENSES

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Personnel costs	1,069	1,166
Establishment costs	1	3
Marketing and communication expenses	5	4
Administration and general expenses	250	241
Service transfer pricing expenses	30	37
	1,355	1,451

(xiii) TAXATION

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Income tax expense	2,252	6,109
Over provision of tax expense in prior financial year	-	(4)
Deferred taxation	31	(59)
	2,283	6,046

(xiv) SHARIAH COMMITTEE MEMBERS' REMUNERATION

The total remuneration paid to the Shariah Committee members of AmBank Islamic Berhad, a related company of the Bank are as follows:

	Fees RM'000	Allowances RM'000	Total RM'000
2021			
Asst. Prof. Dr. Tajul Aris Ahmad Bustami	43	4	47
Prof. Dr. Amir Husin Mohd Nor	35	3	38
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman	34	4	38
Assoc. Prof. Dr. Adnan Yusoff	34	4	38
Assoc. Prof. Dr. Asmak Ab Rahman	34	4	38
Dr. Ahmad Zaki Bin Salleh	34	4	38
	214	23	237
2020			
Asst. Prof. Dr. Tajul Aris Ahmad Bustami	43	5	48
Prof. Dr. Amir Husin Mohd Nor	35	3	38
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman	35	5	40
Assoc. Prof. Dr. Adnan Yusoff	35	5	40
Assoc. Prof. Dr. Asmak Ab Rahman	35	4	39
Dr. Ahmad Zaki Bin Salleh	26	3	29
	209	25	234

(xv) NET INCOME FROM ISLAMIC BANKING

For consolidation with the conventional operations, net income from operations of Islamic banking comprises the following items:

	Group and Bank 2021 RM'000	Group and Bank 2020 RM'000
Income derived from investment of depositors' funds	73	224
Less: Income attributable to depositors	-	(6)
Income attributable to the Group and the Bank	73	218
Net income derived from Islamic banking funds	10,793	26,441
	10,866	26,659
Elimination adjustments	(2,343)	(1,201)
	8,523	25,458

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

The following are additional financial information on Islamic Banking business relating to the stockbroking and capital market activities (Cont'd.):

(xvi) CAPITAL ADEQUACY RATIOS

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

	Group and Bank	
	2021	**2020**
CET1 Capital Ratio	84.103%	110.142%
T1 Capital Ratio	84.103%	110.142%
Total Capital Ratio	84.103%	110.142%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Basel II – Risk Weighted Assets) issued on 3 May 2019. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets).

Pursuant to the BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:

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

(b) The components of Tier 1 and Tier 2 and Total Capital of the Islamic banking business of the Group and the Bank are as follows:

Group and Bank	**2021**	**2020**
	RM'000	**RM'000**
CET1 Capital		
Capital funds	30,000	30,000
Retained earnings	88,481	81,253
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(268)	(299)
CET1 Capital/ Tier 1 Capital/Total Capital	**118,213**	**110,954**

The breakdown of risk-weighted assets of the Group and the Bank in the various risk categories are as follows:

	Group and Bank	
	2021	**2020**
	RM'000	**RM'000**
Credit risk	106,092	50,987
Operational risk	34,466	49,750
Total risk-weighted assets	140,558	100,737