ALLIANCE BANK

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

FINANCIAL STATEMENTS

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STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

For preparation of the Annual Audited Financial Statements

The Companies Act 2016 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position as at the end of the financial year and the financial performance for the financial year of the Group and the Bank.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards, and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgments.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that the Group and the Bank maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Bank and prevent and detect fraud or any other irregularities.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	BANK RM'000
Profit before taxation	567,854	504,609
Taxation	(143,591)	(115,471)
Net profit for the financial year	424,263	389,138

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividends declared and paid by the Group and the Bank since 31 March 2019 were as follows:

		RM'000
(i)	A single tier second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ended 31 March 2019, was paid on 27 June 2019.	126,945
(ii)	A single tier first interim dividend of 6.0 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ending 31 March 2020, was paid on 30 December 2019.	92,886
		219,831

In light of the current COVID-19 pandemic, the full effects of which cannot be estimated reliably, the Directors do not recommend any further dividend for the financial year ended 31 March 2020.

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2020

Profitability

The Group's net profit after taxation was recorded at RM424.3 million for the full year ending 31 March 2020. The decline of RM113.3 million or 21.1% year-on-year ("YOY") was due to credit losses stemming from the impairment of a few large accounts during 1QFY20 and increased credit costs from mortgage portfolio and the early effect of the COVID-19 pandemic.

Nevertheless, operating profit before allowance reported a growth of RM35.1 million, or 4.1% YOY. Net income rose by RM67.2 million or 4.1% to RM1.69 billion mainly contributed by an increase in other operating income. Net interest margin ("NIM") is recorded at 2.40%.

Steady Loans Growth

The Group continues to focus on loans from Small Medium Enterprise ("SME"), commercial and consumer unsecured lending, while undertaking a more prudent approach to the acquisition of Alliance ONE Account ("AOA") segments. Gross loans and advances grew by 2.2% YOY to RM43.7 billion. SME loans expanded by 7.8% YOY, while consumer unsecured loans grew by RM208 million or 10.6% YOY. AOA loan balances grew to RM5.0 billion from RM3.3 billion in the previous year.

Other Operating Income continues to improve

The Group recorded other operating income of RM330.6 million, up 24.8% YOY despite the challenging external environment, contributed by treasury and investment income, as well as customer based fee income growth due to the exclusive general insurance partnership with Zurich Insurance and the expansion of cross-selling efforts for our wealth management products.

Operating Expenses from Strategic Project Initiatives

Cost to income ratio ("CIR") was within expectations at 47.8%. The Group continues to invest in human capital and IT infrastructure to support the bank's initiatives and comply with regulatory requirements.

Asset Quality

The Group's net credit costs stood at 72.1 bps mainly due to provision for few large accounts and mortgage segments as well as weaker macroeconomic factors. The Group continues to intensify proactive credit management including refinement of credit policy, tightening of credit underwriting and increased collection efforts to control credit costs. Loan loss coverage (including Regulatory Reserve) was maintained at a stable ratio of 101.4%.

Healthy Funding and Liquidity Position

The Group's funding position remains healthy despite the intense market competition for deposits. Customer based funding rose by 6.5% YOY to 48.9 billion, mostly from consumer deposits. The Bank was able to maintain a high Current Account/ Savings Account ("CASA") ratio of 37.4% due to pro-active efforts in Alliance SavePlus Account and Alliance@Work. Fixed deposits grew by RM1.2 billion or 4.6%.

The funding was used to grow our loans portfolios such as SME, AOA and personal financing. The Bank will continue to grow its CASA through Alliance SavePlus and Alliance@Work.

The Group's liquidity coverage and loans to funds ratios remain healthy at 156.7% and 83.6% respectively.

Proactive Capital Management

As part of our continuous proactive capital management to support future business expansion, we continue to maintain strong capital levels, with Common Equity Tier-I ("CET I") ratio at 13.8%, Tier-I Capital ratio at 14.6% and total capital ratio at 18.9%.

BUSINESS REVIEW FOR FYE 31 MARCH 2020 (CONT'D)

Performance by business segment

The Group's business segments comprise Consumer Banking, Business Banking, Financial Markets and Investment Banking. Please refer to Note 52 on Segment Information for the composition of each business segment.

Consumer Banking segment's profit before tax stood at RM7.5 million. Net income increased by RM45.6 million or 8.1% YOY mainly due to higher net interest income contributed by loans growth, net income from Islamic Banking Business and wealth management. Operating expenses increased RM15.4 million or 4.2% YOY. Allowance for credit losses expanded by RM103.2 million. The segment's assets grew by RM2.0 billion or 8.9%.

The Business Banking segment, comprising corporate, commercial and SME banking, recorded a profit before tax of RM326.3 million, or 20.3% lower than the last corresponding period. Net income improved by RM13.4 million or 1.9% YOY stemming from higher net interest income as a result of loans growth especially in the SME and Commercial Banking segments. Operating expenses increased by RM19.5 million or 6.7% YOY. Allowance for credit losses expanded by RM77.3 million YOY, as a result of the impairment of a few business accounts. Segment assets registered a growth of RM5.1 billion or 24.8%.

Profit before tax in the Financial Markets segment increased by 5.7% or RM13.4 million YOY to RM246.1 million. Net income was higher by RM12.6 million or 4.4% YOY. Operating expenses decreased RM1.7 million or 3% YOY. Segment assets were recorded at RM12.2 billion.

The Investment Banking segment recorded a loss before tax of RM16.9 million YOY due to lower brokerage income and a goodwill impairment.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2021

For 2020, Bank Negara Malaysia (BNM) foresees Malaysia's gross domestic product (GDP) growth to be ranging between -2% and +0.5% year-on-year, compared to +4.3% in the preceding year. Signs of economic contractions are mainly attributed to the sharp decline in global economic and trade activities in the first quarter of 2020, as well as the unprecedented measures taken by various countries to combat the COVID-19 pandemic which have led to severe difficulties for businesses all over the world.

Malaysia's economy has also been affected by the Movement Control Order (MCO). According to an online survey done by the Department of Statistics (carried out from 23 to 31 March 2020), there are signs that the domestic private consumption (which makes up 59% of Malaysia's GDP) ahead will be weak as monthly household spending has fallen 55% from RM6,317 to RM2,813.

The survey also shows that apart from food staples, communications and education, all other consumption categories have recorded sharp decline due to travel restrictions and closures of non-essential businesses. Post MCO, the normalisation of consumer behaviour may be gradual as precautionary social distancing practices continue. As such, private consumption growth is expected to expand at a slower pace, while weaker global demand will continue to weigh on oil prices.

BNM is also expecting the COVID-19 pandemic to lower external demand drastically as global supply chains are disrupted due to prolonged factory closures in key industrial hubs worldwide. As a result, BNM is expecting Malaysia's exports and imports to fall 13.6% and 11.9% year-on-year respectively mainly due to a dampened domestic manufacturing sector.

DIRECTORS' REPORT (CONT'D)

BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

Despite the uncertain outlook, we believe that banking will continue to play an important role in facilitating the recovery of businesses and serving the needs of customers.

Internally, we will be revamping the business model of our distribution to bring banking directly to our customers by going beyond the confines of a physical location. To do this, we will accelerate our development efforts of digital tools to enable banking to be done through mobile devices. Equipping our bankers with these tools and the requisite knowledge will thus enable the Group to quickly adapt to a post COVID-19 environment where customers are likely to shun gathering in enclosed places. Our eventual goal is to create universal bankers with sales and advisory skills to deliver consistent and excellent service to fulfil our customers' basic banking needs anytime and anywhere.

For SME banking, the Group will continue to expand our solutions-based approach through strategic ecosystem partnerships to address the customer journey. The Group's Halal-in-One programme, executed by Alliance Islamic Bank, is an example of this approach that aims to bridge the gaps for businesses that want to succeed in the halal market.

Our Action Plan to address economic headwinds

As we move forward into 2020, effects of the COVID-19 pandemic, the collapse of oil price and weaker commodities price on the wider economy are likely to lead to slower overall loan growth and credit stress for the Bank. We have implemented new strategies to help mitigate the impact on the Bank and our stakeholders throughout this crisis.

- For our employees, we have activated operation in separate locations for critical departments and enforced work-from-home arrangements to ensure essential services continue with minimal interruption, while protecting everyone's health. In addition to this, we provided a one-off subsidy to lower income staff for incidental expenses.
- For our customers, we are committed to helping them manage the headwinds through the 6-month automatic loan moratorium announced by the Government. We have also designed restructuring and rescheduling options for all customers including but not limited to facilitating applications to the Special Relief Fund, Credit Guarantee Corporation and Danajamin.
- To support our communities, we contributed RM500,000 to MERCY Malaysia's COVID-19 Pandemic Fund. We have also launched the #SupportLokal initiative to help SMEs promote their products and services in our digital channels.

For the Group, we will be paying close attention to managing our credit and liquidity risks. We will also be working out the details of post-moratorium repayment arrangements with our customers. Addressing the needs of our customers at this juncture will help us strengthen our relationships for the long term success of both the Group and our clients. The Group continues to maintain ample liquidity coverage and loan to funds ratios for all entities under the Group, and we are ensuring cash levels at our branches and self-service terminals remain ample at all times.

We will also remain vigilant in managing our credit portfolios and conservative in our provisioning practices.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2019, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 - Financial institutions in this category have superior capacities for timely payments of obligations.

A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman)

Lee Ah Boon

Datuk Wan Azhar Bin Wan Ahmad

Lee Boon Huat

Ho Hon Cheong

Thayaparan S. Sangarapillai

Tan Chian Khong

Susan Yuen Su Min

Ou Shian Waei (retired with effect from 1 July 2019)

Kuah Hun Liang (retired with effect from 9 December 2019)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 43 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 43 to the financial statements) by reason of a contract made by the Bank or its subsidiary with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares of the Bank or its subsidiaries or its related corporations during the financial year, except as stated below:

	Number of Ordinary Shares			
	As at 1.4.2019	**Acquired**	**Sold**	**As at 31.3.2020**
Ho Hon Cheong	1,000*	–	–	**1,000***

Note:

* - Indirect interest in the Bank shares held by virtue of Section 59(11)(c) of the Companies Act 2016.

ISSUE OF SHARES AND DEBENTURES

There was no new issue of shares and debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the Directors are not aware of any circumstances which 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 prepared, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written down to an amount which they might be expected so to realise.

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group or 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 affect the ability of the Group or 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, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) 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 which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made other than those disclosed in Note 54 to the financial statements.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 34 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS

The events subsequent to the end of the financial reporting period are disclosed in Note 54 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

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

Ahmad Bin Mohd Don

Thayaparan S. Sangarapillai

Kuala Lumpur, Malaysia
26 June 2020

STATEMENT BY DIRECTORS

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

We, Ahmad Bin Mohd Don and Thayaparan S. Sangarapillai, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 110 to 270 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020 and financial performance of the Group and of the Bank for the financial year ended 31 March 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

Ahmad Bin Mohd Don

Thayaparan S. Sangarapillai

Kuala Lumpur, Malaysia
26 June 2020

STATUTORY DECLARATION

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

I, Goh Chee Ho, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 110 to 270 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Goh Chee Ho
at Kuala Lumpur in the Federal Territory on
26 June 2020

Goh Chee Ho
MIA Membership No. (CA 21531)

Before me,

M. Sivanason
Commissioner for Oaths

Kuala Lumpur, Malaysia
26 June 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)
(Company No: 198201008390) (88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 270.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the 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 ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

(Incorporated in Malaysia)
(Company No: 198201008390) (88103-W)

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Allowance for impairment on loans, advances and financing	
Refer to accounting policy 2(k)(i) and 2(a)(ii), Notes 10 and 35 of the Financial Statements of the Group and the Bank. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a complex accounting standard which has required considerable judgement and estimates in its implementation. In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following: • The models are inherently complex and judgement is applied in determining the appropriate construct of the model; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets to be used as inputs to the models.	We obtained an understanding and tested management's controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group's policy and procedures, and the calculation of ECL provisions. We tested a sample of loans, advances and financing and assessed the reasonableness of management's judgement that there was no significant increase in credit risk or objective evidence of impairment for these loans. Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared the assumptions to external evidence where available. Calculations of the discounted cash flows were also re-performed. For staging and identification of exposures with significant increase in credit risk, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's policy and credit risk management practices.

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

Key audit matters (cont'd)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Allowance for impairment on loans, advances and financing (cont'd)</td></tr>
<tr><td>The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the recent drop in oil price in the measurement of ECL. These are explained further in the critical accounting estimates and judgement in Note 2(a)(ii).

In determining ECL, management judgement is applied, using objective, reasonable and supportable information about forecast economic conditions. Forward looking macro-economic information and assumptions relating to the COVID-19 pandemic have been considered in these scenarios, as explained further in Note 44(a)(iv)(d).</td><td>To determine the appropriateness of models implemented by the Group, we have:

• Assessed the methodologies inherent within the ECL models applied against the requirements of MFRS 9;

• Tested the design and operating effectiveness of the controls relating to:

- Governance over ECL model and methodology;

- Data used to determine the allowances for credit losses; and

- Calculation, review and approval of the ECL calculation.

• Assessed and tested the significant modelling assumptions;

• Assessed and considered reasonableness of forward-looking forecasts assumptions. In assessing the appropriateness of management's forecast economic conditions after taking into consideration the impacts of the COVID-19 pandemic and the drop in oil price, we have checked to independent sources to determine whether the macro-economic information is supportable and reasonable at the reporting date of the Group's financial statements. We have also checked the reasonableness of the probability weightage accorded to the economic scenarios;

• Checked the accuracy of data and calculation of the ECL amount, on a sample basis; and

• Assessed whether the disclosures in the financial statements appropriately reflect the Group's credit risk exposures.

Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

(Incorporated in Malaysia)
(Company No: 198201008390) (88103-W)

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

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment testing of goodwill	
Refer to accounting policy 2(k)(ii)(a), and 2(a)(i), and Note 18 of the Financial Statements of the Group and the Bank. Management performed annual impairment assessment on goodwill. The recoverable amount of each cash generating units ("CGU") of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors, each of which is dependent on significant management judgement and can be influenced by management bias. As disclosed in Note 18(b), management has also considered the multiple probability weighted scenarios to include impact of the COVID-19 pandemic on the Group's future revenue and specifically to estimate the expected cash flows from the CGUs. Management performed sensitivity analysis over their cash flow forecast to factor in the impact of a decline in the global economy, the loan moratorium to customers and the potential reduction in overnight policy rate ("OPR"). In particular, we focused on the following key assumptions that requires significant judgement, for each CGU: • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate.	We tested management's impairment asessment of goodwill as follows: • Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU. • Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting. • Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU. • Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific riks relating to each CGU where the risk associated to each CGU is determined based on the CGU's business and operating model. • Assessed the reasonableness of the multiple probability weighted scenarios applied to the cash flow consumptions. • Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate. • Independently performed sensitivity analysis to assess the potential impact of a reasonable possible change of the key assumptions on the recoverable amount of each CGUs. In particular, we have stressed lower loan/financing growth, the timing of receipts of loan instalments from borrowers, additional OPR reduction and the Group's ability to take mitigating actions, if required. • Reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about these assumptions to which the outcome of the impairment test is most sensitive. Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.

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

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:

(i) Financial Highlights
(ii) Statement by Chairman of Alliance Bank Group
(iii) Management Discussion and Analysis
(iv) Statement on Corporate Governance
(v) Sustainability Statement
(vi) Audit Committe Report
(vii) Statement on Risk Management and Internal Control
(viii) Risk Management
(ix) Directors' Report
(x) Basel II Pillar 3 Report Disclosure

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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

(Incorporated in Malaysia)
(Company No: 198201008390) (88103-W)

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

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

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

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) 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.

(e) 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.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members 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.

Pricewaterhousecoopers PLT
(No. LLP0014401-LCA & AF1146)
Chartered Accountants

Ong Ching Chuan
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
26 June 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
ASSETS					
Cash and short-term funds	3	**3,119,214**	1,804,734	**2,488,527**	1,571,995
Deposits and placements with banks and other financial institutions	4	**–**	500	**–**	–
Amounts due from clients and brokers	5	**51,165**	77,008	**–**	–
Financial assets at fair value through profit or loss	6	**650,114**	230,440	**585,722**	169,656
Financial investments at fair value through other comprehensive income	7	**11,544,507**	9,478,462	**8,426,778**	6,852,866
Financial investments at amortised cost	8	**121,299**	235,720	**170,405**	311,930
Derivative financial assets	9	**436,910**	55,442	**436,910**	55,442
Loans, advances and financing	10	**43,110,007**	42,320,301	**32,207,545**	32,622,976
Other assets	11	**262,622**	199,138	**266,770**	320,794
Tax recoverable		**70,834**	20,282	**38,789**	5,501
Statutory deposits	12	**949,049**	1,521,592	**700,355**	1,142,108
Investments in subsidiaries	13	**–**	–	**909,102**	989,102
Investment in joint venture	14	**903**	802	**–**	–
Right-of-use assets	15	**129,139**	–	**129,077**	–
Property, plant and equipment	16	**64,486**	70,497	**63,448**	69,178
Deferred tax assets	17	**28,125**	72,972	**14,074**	50,116
Intangible assets	18	**437,086**	432,961	**332,680**	323,804
TOTAL ASSETS		**60,975,460**	56,520,851	**46,770,182**	44,485,468
LIABILITIES AND EQUITY					
Deposits from customers	19	**48,425,852**	45,017,632	**36,702,989**	34,982,862
Deposits and placements of banks and other financial institutions	20	**1,543,646**	858,708	**733,564**	344,835
Amounts due to clients and brokers	21	**22,292**	51,164	**–**	–
Financial liabilities designated at fair value through profit or loss	22	**427,085**	778,423	**427,085**	778,423
Obligations on securities sold under repurchase agreements	23	**369,469**	–	**221,387**	–
Derivative financial liabilities	9	**348,877**	57,545	**348,877**	57,545
Recourse obligations on loans and financing sold to Cagamas	24	**800,695**	800,669	**300,053**	300,076
Lease liabilities	25	**130,223**	–	**130,150**	–
Other liabilities	26	**1,388,066**	1,740,797	**1,253,186**	1,572,308
Provision for zakat		**1,245**	686	**–**	–
Deferred tax liabilities	17	**8,379**	2,163	**–**	–
Subordinated obligations	27	**1,520,637**	1,480,222	**1,480,254**	1,479,580
TOTAL LIABILITIES		**54,986,466**	50,788,009	**41,597,545**	39,515,629
Share capital	28	**1,548,106**	1,548,106	**1,548,106**	1,548,106
Reserves	29	**4,440,888**	4,184,736	**3,624,531**	3,421,733
TOTAL EQUITY		**5,988,994**	5,732,842	**5,172,637**	4,969,839
TOTAL LIABILITIES AND EQUITY		**60,975,460**	56,520,851	**46,770,182**	44,485,468
COMMITMENTS AND CONTINGENCIES	47	**36,971,704**	24,181,704	**34,144,629**	21,570,720
Net assets per share attributable to equity holders of the Bank (RM)		**3.87**	3.70		

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

STATEMENTS OF INCOME
for the financial year ended 31 March 2020

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Interest income	30	**2,069,887**	2,010,662	**2,019,369**	1,982,830
Interest expense	31	**(1,089,053)**	(1,012,579)	**(1,046,424)**	(984,350)
Net interest income		**980,834**	998,083	**972,945**	998,480
Net income from Islamic banking business	32	**377,896**	359,057	**–**	–
		1,358,730	1,357,140	**972,945**	998,480
Fee and commission income		**283,272**	276,746	**248,493**	238,120
Fee and commission expense		**(87,118)**	(86,488)	**(78,700)**	(76,945)
Investment income		**87,565**	45,077	**126,885**	120,271
Other income		**46,871**	29,626	**48,012**	29,878
Other operating income	33	**330,590**	264,961	**344,690**	311,324
Net income		**1,689,320**	1,622,101	**1,317,635**	1,309,804
Other operating expenses	34	**(807,019)**	(774,947)	**(621,229)**	(601,771)
Operating profit before allowances		**882,301**	847,154	**696,406**	708,033
Allowance for expected credit losses on loans, advances and financing and other financial assets	35	**(273,234)**	(130,849)	**(168,495)**	(94,618)
(Allowance for)/write-back of expected credit losses on financial invesments	36	**(36,997)**	201	**(22,996)**	449
(Allowance for)/write-back of impairment losses on non-financial assets	37	**(4,317)**	(8,592)	**(306)**	148
Operating profit after allowances		**567,753**	707,914	**504,609**	614,012
Share of results of joint venture	14	**101**	109	**–**	–
Profit before taxation		**567,854**	708,023	**504,609**	614,012
Taxation	38	**(143,591)**	(170,426)	**(115,471)**	(128,060)
Net profit for the financial year		**424,263**	537,597	**389,138**	485,952
Net profit for the financial year attributable to:					
Equity holders of the Bank		**424,263**	537,597	**389,138**	485,952
Earnings per share attributable to:	39				
Equity holders of the Bank					
- Basic (sen)		**27.4**	34.7		
- Diluted (sen)		**27.4**	34.7		

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

STATEMENTS OF COMPREHENSIVE INCOME
for the financial year ended 31 March 2020

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the financial year	**424,263**	537,597	**389,138**	485,952
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net gain from change in fair values	**112,932**	84,754	**71,196**	38,489
- Realised gain transferred to statements of income on disposal	**(17,634)**	(2,684)	**(14,402)**	(2,119)
- Transfer to deferred tax	**(22,872)**	(19,697)	**(13,631)**	(8,729)
- Changes in expected credit losses	**(9,627)**	(783)	**(160)**	(624)
Other comprehensive income, net of tax	**62,799**	61,590	**43,003**	27,017
Total comprehensive income for the financial year	**487,062**	599,187	**432,141**	512,969
Total comprehensive income for the financial year attributable to:				
Equity holders of the Bank	**487,062**	599,187	**432,141**	512,969

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

GROUP	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
	← Attributable to Equity holders of the Bank →					
At 1 April 2019						
As previously reported	**1,548,106**	**178,397**	**100,150**	**78,513**	**3,827,676**	**5,732,842**
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**–**	**–**	**–**	**–**	**(9,526)**	**(9,526)**
As restated	**1,548,106**	**178,397**	**100,150**	**78,513**	**3,818,150**	**5,723,316**
Net profit for the financial year	**–**	**–**	**–**	**–**	**424,263**	**424,263**
Other comprehensive income	**–**	**–**	**–**	**62,799**	**–**	**62,799**
Total comprehensive income	**–**	**–**	**–**	**62,799**	**424,263**	**487,062**
Transfer to regulatory reserves	**–**	**46,182**	**–**	**–**	**(46,182)**	**–**
Liquidation of subsidiaries	**–**	**–**	**–**	**–**	**(1,553)**	**(1,553)**
Dividends paid to shareholders (Note 40)	**–**	**–**	**–**	**–**	**(219,831)**	**(219,831)**
At 31 March 2020	**1,548,106**	**224,579**	**100,150**	**141,312**	**3,974,847**	**5,988,994**

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 March 2020 (CONT'D)

	Attributable to Equity holders of the Bank						
GROUP	**Ordinary shares RM'000**	**Regulatory reserves RM'000**	**Capital reserves RM'000**	**FVOCI reserves RM'000**	**Revaluation reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 April 2018							
As previously stated	1,548,106	186,064	100,150	–	114,987	3,510,283	5,459,590
Effects of adoption of MFRS 9	–	(17,330)	–	16,923	(114,987)	41,819	(73,575)
Effects of adoption of MFRS 15	–	–	–	–	–	(15,500)	(15,500)
As restated	1,548,106	168,734	100,150	16,923	–	3,536,602	5,370,515
Net profit for the financial year	–	–	–	–	–	537,597	537,597
Other comprehensive income	–	–	–	61,590	–	–	61,590
Total comprehensive income	–	–	–	61,590	–	537,597	599,187
Transfer to regulatory reserves	–	9,663	–	–	–	(9,663)	–
Dividends paid to shareholders (Note 40)	–	–	–	–	–	(236,860)	(236,860)
At 31 March 2019	1,548,106	178,397	100,150	78,513	–	3,827,676	5,732,842

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

BANK	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserve RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
	← Non-distributable reserves →					Distributable reserves	
At 1 April 2019							
As previously reported	**1,548,106**	**160,798**	**95,515**	**36,831**	**–**	**3,128,589**	**4,969,839**
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**–**	**–**	**–**	**–**	**–**	**(9,512)**	**(9,512)**
As restated	**1,548,106**	**160,798**	**95,515**	**36,831**	**–**	**3,119,077**	**4,960,327**
Net profit for the financial year	**–**	**–**	**–**	**–**	**–**	**389,138**	**389,138**
Other comprehensive income	**–**	**–**	**–**	**43,003**	**–**	**–**	**43,003**
Total comprehensive income	**–**	**–**	**–**	**43,003**	**–**	**389,138**	**432,141**
Transfer to regulatory reserves	**–**	**21,494**	**–**	**–**	**–**	**(21,494)**	**–**
Return of capital from a subsidiary	**–**	**–**	**(80,000)**	**–**	**–**	**80,000**	**–**
Dividends paid to shareholders (Note 40)	**–**	**–**	**–**	**–**	**–**	**(219,831)**	**(219,831)**
At 31 March 2020	**1,548,106**	**182,292**	**15,515**	**79,834**	**–**	**3,346,890**	**5,172,637**
At 1 April 2018							
As previously reported	1,548,106	160,029	95,515	–	74,907	2,866,142	4,744,699
Effects of adoption of MFRS 9	–	327	–	9,814	(74,907)	29,297	(35,469)
Effects of adoption of MFRS 15	–	–	–	–	–	(15,500)	(15,500)
As restated	1,548,106	160,356	95,515	9,814	–	2,879,939	4,693,730
Net profit for the financial year	–	–	–	–	–	485,952	485,952
Other comprehensive income	–	–	–	27,017	–	–	27,017
Total comprehensive income	–	–	–	27,017	–	485,952	512,969
Transfer to regulatory reserves	–	442	–	–	–	(442)	–
Dividends paid to shareholders (Note 40)	–	–	–	–	–	(236,860)	(236,860)
At 31 March 2019	1,548,106	160,798	95,515	36,831	–	3,128,589	4,969,839

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2020

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**567,854**	708,023	**504,609**	614,012
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	**(83,215)**	(84,578)	**(83,950)**	(83,707)
Allowance for expected credit losses on loans, advances and financing	**286,760**	147,238	**184,092**	97,909
(Write-back of)/allowance for expected credit losses on commitments and contingencies	**(8,076)**	(11,377)	**(8,599)**	1,304
Allowance for/(write-back of) expected credit losses on financial investments	**36,997**	(201)	**22,996**	(449)
Allowance for/(write-back of) expected credit losses on amounts due from clients and brokers	**3**	(1)	**–**	–
Allowance for expected credit losses on other receivables	**3,827**	3,319	**3,539**	2,977
Write-back of expected credit losses on short term funds	**(37)**	(463)	**(37)**	(463)
Allowance for/(write-back of) impairment losses on non-financial assets	**4,317**	8,592	**306**	(148)
Amortisation of computer software	**36,864**	30,206	**35,366**	29,117
Depreciation of property, plant and equipment	**22,661**	23,333	**22,110**	22,674
Depreciation of right-of-use assets	**24,259**	–	**24,213**	–
Dividends from financial assets at fair value through profit or loss	**(4,419)**	(1,299)	**(2,668)**	(749)
Dividends from subsidiaries	**–**	–	**(48,031)**	(80,154)
Interest expense on lease liabilities	**6,577**	–	**6,572**	–
Interest expense on subordinated obligations	**84,538**	78,732	**84,732**	78,915
Interest expense on recourse obligation on loans and financing sold to Cagamas	**13,627**	25,182	**13,627**	25,182
Interest income from financial investments at amortised cost	**(6,818)**	(14,174)	**(12,866)**	(18,176)
Interest income from financial investments at fair value through other comprehensive income	**(318,454)**	(260,639)	**(292,218)**	(249,720)
Computer software written-off	**4,399**	1,822	**4,399**	1,724
Gain on disposal of property, plant and equipment	**(5,319)**	(8)	**(5,319)**	(8)
Property, plant and equipment written-off	**174**	42	**104**	43
Net gain from sale of financial assets at fair value through profit or loss	**(15,481)**	(3,378)	**(15,361)**	(3,377)
Net gain from sale of financial investments at fair value through other comprehensive income	**(17,634)**	(2,684)	**(14,402)**	(2,119)
Net gain from sale of other investments	**(5)**	–	**(5)**	–
Cash flow from operating activities carried forward	**633,399**	647,687	**423,209**	434,787

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Cash flow from operating activities brought forward	**633,399**	647,687	**423,209**	434,787
Unrealised gain arising from derivative instruments	**(63,991)**	(18,276)	**(63,991)**	(18,276)
Unrealised gain arising from financial assets at fair value through profit or loss	**(23,207)**	(12,092)	**(19,599)**	(8,248)
Unrealised loss arising from financial liabilities designated at fair value through profit or loss	**11,742**	12,809	**11,742**	12,809
Share of results of joint venture	**(101)**	(109)	**–**	–
Zakat	**655**	590	**–**	–
Cash flow from operating activities before working capital changes	**558,497**	630,609	**351,361**	421,072
Changes in working capital:				
Amounts due from clients and brokers	**(3,029)**	358	**–**	–
Deposits from customers	**3,408,220**	2,277,172	**1,720,127**	1,474,492
Deposits and placements of banks and other financial institutions	**684,938**	(15,163)	**388,729**	(94,403)
Deposits and placements with banks and other financial institutions	**500**	76,783	**–**	77,283
Financial assets at fair value through profit or loss	**(388,929)**	16,668	**(389,048)**	10,827
Financial liabilities designated at fair value through profit or loss	**(363,080)**	83,376	**(363,080)**	83,376
Loans, advances and financing	**(1,076,422)**	(2,801,062)	**231,340**	(1,400,892)
Other assets	**(68,945)**	(60,506)	**48,856**	(146,823)
Other liabilities	**(350,683)**	258,213	**(315,151)**	208,529
Obligations on securities sold under repurchase agreements	**369,469**	–	**221,387**	–
Statutory deposits	**572,543**	(113,276)	**441,753**	(49,542)
Cash generated from operating activities	**3,343,079**	353,172	**2,336,274**	583,919
Taxation paid	**(158,537)**	(219,123)	**(118,809)**	(167,520)
Zakat paid	**(95)**	(156)	**–**	–
Net cash generated from operating activities	**3,184,447**	133,893	**2,217,465**	416,399

STATEMENTS OF CASH FLOWS
for the financial year ended 31 March 2020 (CONT'D)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from subsidiaries	**–**	–	**48,031**	80,154
Dividends from financial assets at fair value through profit or loss	**4,419**	1,299	**2,668**	749
Interest received from financial assets at fair value through profit or loss	**7,943**	1,547	**7,943**	1,547
Interest received from financial investments at fair value through other comprehensive income	**312,289**	239,129	**285,523**	241,980
Interest received from financial investments at amortised costs	**8,311**	13,071	**14,645**	17,362
Net interest expense for derivative instruments	**(26,145)**	(49,852)	**(26,145)**	(49,852)
Capital returned from a subsidiary	**–**	–	**80,000**	–
Purchase of computer sofware	**(49,705)**	(64,327)	**(48,947)**	(61,664)
Purchase of property, plant and equipment	**(26,854)**	(24,560)	**(26,514)**	(24,122)
Proceeds from disposal of property, plant and equipment	**6,101**	69	**6,101**	69
Purchase of:				
- financial investments at FVOCI	**(5,056,202)**	(5,225,669)	**(4,213,537)**	(3,789,870)
- financial investments at amortised cost	**(100,000)**	(63,131)	**(20,000)**	(34,867)
Redemption/disposal of:				
- financial investments at FVOCI	**3,095,935**	4,184,445	**2,714,366**	3,263,177
- financial investments at amortised cost	**262,767**	431,922	**223,690**	336,993
Net cash used in investing activities	**(1,561,141)**	(556,057)	**(952,176)**	(18,344)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the company	**(219,831)**	(236,860)	**(219,831)**	(236,860)
Interest paid on subordinated obligations	**(84,123)**	(78,124)	**(84,058)**	(78,359)
Interest paid on recourse obligation on loans and financing sold to Cagamas	**(13,601)**	(26,872)	**(13,650)**	(26,791)
Repayment of lease liabilities	**(31,271)**	–	**(31,218)**	–
Proceeds from issuance of subordinated notes	**40,000**	100,000	**–**	100,000
Repayment of recourse obligations on loans and financing sold to Cagamas	**–**	(300,004)	**–**	(300,011)
Net cash used in financing activities	**(308,826)**	(541,860)	**(348,757)**	(542,021)
Net change in cash and cash equivalents	**1,314,480**	(964,024)	**916,532**	(143,966)
Cash and cash equivalents at beginning of financial year	**1,804,734**	2,768,758	**1,571,995**	1,715,961
Cash and cash equivalents at end of financial year	**3,119,214**	1,804,734	**2,488,527**	1,571,995
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	**3,119,214**	1,804,734	**2,488,527**	1,571,995

A reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows as follows:

	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Lease liabilities RM'000
GROUP			
As at 1 April 2018	1,102,363	1,379,614	–
Cash flow			
- (Redemption)/issuance	(300,004)	100,000	–
- Interest payment	(26,872)	(78,124)	–
Non cash changes			
- Interest accrued	25,182	78,732	–
As at 31 March/1 April 2019	**800,669**	**1,480,222**	**–**
Effects of adoption of MFRS 16	**–**	**–**	**144,571**
Cash flow			
- Issuance	**–**	**40,000**	**–**
- Interest payment	**(13,601)**	**(84,123)**	**–**
- Repayment of lease liabilities	**–**	**–**	**(31,271)**
Non cash changes			
- Interest accrued	**13,627**	**84,538**	**6,577**
- Additions, remeasurement and termination of contracts	**–**	**–**	**10,346**
As at 31 March 2020	**800,695**	**1,520,637**	**130,223**

	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Lease liabilities RM'000
BANK			
As at 1 April 2018	601,696	1,379,024	–
Cash flow			
- (Redemption)/issuance	(300,011)	100,000	–
- Interest payment	(26,791)	(78,359)	–
Non cash changes			
- Interest accrued	25,182	78,915	–
As at 31 March/1 April 2019	**300,076**	**1,479,580**	**–**
Effects of adoption of MFRS 16	**–**	**–**	**144,423**
Cash flow			
- Interest payment	**(13,650)**	**(84,058)**	**–**
- Repayment of lease liabilities	**–**	**–**	**(31,218)**
Non cash changes			
- Interest accrued	**13,627**	**84,732**	**6,572**
- Additions, remeasurement and termination of contracts	**–**	**–**	**10,373**
As at 31 March 2020	**300,053**	**1,480,254**	**130,150**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2020

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 June 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

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

The financial statements of the Group and the Bank have been prepared under the historical cost convention, as modified by the financial investments at fair value through other comprehensive income and financial assets/ liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements are presented in Ringgit Malaysia ("RM") and all numbers are rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

(i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections. The sharp decline in economy and the impact of COVID-19 pandemic has been reflected in the cash flow projections. A sensitivity assessment has been performed by stressing of the estimated growth rates and discount rates by certain percentage.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Malaysian Financial Reporting Standards ("MFRS") Framework (cont'd)

(ii) The measurement of allowance for expected credit losses ("ECL") for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for ECL are recognised using forward-looking information including macroeconomic factors. By using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect allowance for ECL. The Group and the Bank are of the view that it is difficult to incorporate the specific effects of COVID-19 and government relief measures on a reasonable and supportable basis as at 31 March 2020. However, the Group and the Bank have considered the impact of COVID-19 pandemic and sharp decline in economy in the macroeconomic scenarios applied and in their weightings. The methodology and assumptions including any forecasts of future economic conditions are continued to be monitored and reviewed as new information becomes available.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 44(a)(vi).

Some of the areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Significant increase in credit risk and further disclosure in Note 44(a)(iv)(a)
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank for the financial year beginning on 1 April 2019 are as follows:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan Amendment, curtailment or settlement"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 - 2017 Cycle

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 16.

The Group and the Bank have adopted MFRS 16 for the first time in the 31 March 2020 financial statements with the date of initial application ("DIA") of 1 April 2019 by applying the simplified retrospective transaction approach.

The practical expedients elected and the detailed impacts of the change in accounting policies on leases are disclosed below. The details of the accounting policies on leases are disclosed separately in Note 2(q).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Change in Accounting Policies

(i) Adoption of MFRS 16 "Leases"

During the financial year, the Group and the Bank have adopted MFRS 16 "Leases". The Group and the Bank have elected to use the simplified retrospective transition approach and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition approach, the 31 March 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank is a lessee were recognised as an adjustment to the opening balance of retained profits as at 1 April 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "Determining whether an Arrangement Contains a Lease".

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted by the Group's and the Bank's incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expediants permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of MFRS 16 has resulted in a decrease of RM9,526,000 and RM9,512,000 for the Group's and the Bank's retained profits as at 1 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Change in Accounting Policies (cont'd)

(ii) Financial Effect

i. A reconcilation of the statements of financial position of the Group and the Bank upon adoption of MFRS 16 as at 1 April 2019 are as follows:

	As previously stated RM'000	Adoption of MFRS 16 RM'000	As restated RM'000
GROUP			
Assets			
Right-of-use assets	–	142,920	142,920
Deferred tax assets	72,972	3,008	75,980
Other assets	199,138	(1,635)	197,503
Property, plant and equipment	70,497	(9,248)	61,249
Liabilities			
Lease liabilities	–	144,571	144,571
Equity			
Retained profits	3,827,676	(9,526)	3,818,150
BANK			
Assets			
Right-of-use assets	–	142,786	142,786
Deferred tax assets	50,116	3,004	53,120
Other assets	320,794	(1,631)	319,163
Property, plant and equipment	69,178	(9,248)	59,930
Liabilities			
Lease liabilities	–	144,423	144,423
Equity			
Retained profits	3,128,589	(9,512)	3,119,077

The weighted average lease's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.34% - 5.55% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Change in Accounting Policies (cont'd)

(ii) Financial Effect (cont'd)

ii. A reconcilation between operating lease commitments disclosed applying MFRS 117 at 31 March 2019, and the lease liabilities recognised in the statements of financial position at 1 April 2019.

	Group RM'000	Bank RM'000
Operating lease commitments as disclosed at 31 March 2019	79,214	76,006
Add:		
Adjustments as a result of a different treatment of extension and termination options	82,155	85,116
Finance lease liabilities recognised as at 31 March 2019	688	688
Less:		
Contracts reassessed as service agreements	(1,373)	(1,373)
Discounted using the incremental borrowing rate at 1 April 2019	(4,040)	(4,030)
Short-term leases recognised on a straight-line basis as expense	(12,073)	(11,984)
Lease liability recognised at 1 April 2019	144,571	144,423

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning after 1 April 2020

(i) Amendments to MFRS 3 "Definition of a Business"

Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (cont'd)

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

(ii) Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

In particular, the amendments clarify:

- That an entity assesses materiality in the context of the financial statements as a whole.
- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

(iii) The MASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The amendments shall be applied prospectively.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Bank in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated using the acquisition method of accounting. 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. Acquisition-related costs are expensed as incurred.

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 (Note 2(d)(i)). 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 in the case of a bargain purchase, the difference is recognised directly in the statements of income.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

In a group reorganisation, the assets and liabilities of the acquired entity are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. The acquired entity's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entity had always been, prior to the group reorganisation.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(ii) Changes in Ownership Interests in Subsidiaries Without Change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of Subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statements of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(iv) Associates (cont'd)

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statements of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the statements of income.

(v) Joint Arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statements of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in statements of income, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(v) Joint Arrangements (cont'd)

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statements of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

(c) Investments in Subsidiaries, Joint Ventures and Associates in separate financial statements

In the Bank's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statements of income.

(d) Intangible Assets

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in statements of income.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segments level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible Assets (cont'd)

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development employee costs and appropriate portion of relevant overheads.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statements of income during the financial year in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

Freehold land has an unlimited useful life and therefore is not depreciated. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Buildings	2%
Office equipment, furniture and fixtures	10% - 20%
Motor vehicles	20%
Renovations	20%
Computer equipment	20% - 33.3%

Depreciation on assets under construction commences when the assets are ready for their intented use.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets

(i) Classification

The Group and the Bank classify the financial assets in the following measurement categories:

- Fair value through other comprehensive income ("FVOCI");
- Fair value through profit or loss ("FVTPL"); and
- Amortised cost

For financial assets measured at fair value, gains and losses will either be recorded in statements of income or statements of other comprehensive income ("OCI"). For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at FVTPL by the Group and the Bank.

(i) Financial assets at FVOCI comprise of:

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Bank classify the following financial assets at FVTPL:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(iii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The policy of the recognition of impairment is in accordance with Note 2(k)(i).

(ii) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Group and the Bank settle to purchase or sell the asset.

At initial recognition, the Group and the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statements of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

(iii) Subsequent measurement

Debt instruments

There are three measurement categories into which the Group and the Bank classify its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest/profit income from these financial assets is included in gross interest/profit income using the effective interest/profit method. Any gain or loss arising on derecognition is recognised directly in statements of income and presented in other operating income. Impairment losses are presented as separate line item in the statements of income.

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as separate line item in the statements of income and statements of comprehensive income.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in statements of income and presented net within other operating income in the period which it arises.

Equity instruments

The Group and the Bank subsequently measures all equity investments at fair value. Where the Group's and the Bank's management has elected to present fair value gains and losses on equity investments through statements of income. Changes in the fair value of financial assets at FVTPL are recognised in other operating income in the statements of income. Dividends from such investments continue to be recognised in statements of income as other operating income when the Group's and the Bank's right to receive payments is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Bank have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and the Bank are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

When financial investments at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statements of income.

(g) Derivative Financial Instrument and Hedge Accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in statements of income.

Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group and the Bank document at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Bank document its risk management objective and strategy for undertaking its hedge transactions.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in statements of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting for hedging fixed interest risk on securities. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate securities is recognised in statements of income. The gain or loss relating to the ineffective portion is recognised in statements of income within the other operating income. Changes in the fair value of the hedge fixed rate securities attributable to interest rate risk are recognised in equity.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used to amortised to statements of income over the period to maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Derivative Financial Instrument and Hedge Accounting (cont'd)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in statements of income.

Amounts accumulated in equity are reclassified to statements of income in the periods when the hedged item affects statements of income.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statements of changes in equity and is recognised in the periods when the hedged item affects statements of income. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to statements of income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in statements of income.

Gains and losses accumulated in equity are reclassified to statements of income when the foreign operation is disposed or partially disposed.

(h) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(i) Amounts Due From Clients and Brokers

Amounts due from clients and brokers are recognised at amortised cost less impairment allowances. Impairment allowances are made based on simplified approach for balances overdue from clients and brokers, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities. Bad debts are written off when all recovery actions have been fully exhausted.

(j) Other Assets

Other receivables, deposits, trade receivables, amount due from subsidiaries and related party included in other assets are carried at amortised cost using the effective yield method, less impairment allowance. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets

(i) Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank have four types of financial assets that are subjected to the ECL model includes financial assets classified at amortised cost, debt instruments measured at FVOCI, loans commitments, financial guarantee contracts and other commitments.

(a) General 3-stage approach

At each reporting date, the Group and the Bank measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).

Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL). This includes exposures which have triggered obligatory impairment criterion or judgmentally impaired.

Measurement of ECL is set out in Note 44.

(b) Simplified approach for other receivables

The Group and the Bank apply the MFRS 9 simplified approach to measure ECL which uses probability default ratio ("PD") and loss given default ("LGD") for the due amount.

The PD methodology is derived based on net flow rate model as a simplified approach in view of it's low credit risk and non-maturity profile on due amount. LGD deem to be in full at any point in time as accounts are short term repayment and forward looking element will not be considered.

(c) Write-off

The Group and the Bank write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of borrower's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Bank may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in bad debts recoveries.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(ii) Impairment of non-financial assets

(a) Goodwill/Intangible assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from business combinations or intangible assets are allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. 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. An impairment is recognised in the statements of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the statements of income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

(b) Other non-financial assets

Other non-financial assets such as property, plant and equipment, computer software, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the statements of income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. A reversal of impairment for an asset is recognised in the statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost.

Certain financial liabilities are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) Its performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

The component of fair value changes relating to the Group's and the Bank's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in statements of income, but are transferred to retained earnings when realised.

Interest payables are now classified into the respective class of financial liabilities.

(m) Repurchase Agreements

Financial instruments purchased under resale agreements are instruments which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the instruments are reflected as an asset in the statements of financial position and measured at amortised cost.

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Group and the Bank have sold from their portfolio, with a commitment to repurchase at future dates are measured at amortised cost. Such financing transactions and the obligations to repurchase the instruments are reflected as a liability in the statements of financial position.

(n) Bills and Acceptances Payable

Bills and acceptances payable represent the Group and Bank's own bills and acceptances rediscounted and outstanding in the market. Refer to 2(l).

(o) Subordinated Obligations and Other Borrowings

The interest-bearing instruments are classified as liabilities in the statements of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statements of income over the period of the borrowings on an effective interest/profit method.

(p) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Provisions (cont'd)

Where the Group and the Bank expect a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(q) Leases

Accounting policies applicable with effective from 1 April 2019

Lease in which the Group and the Bank are a Lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for used by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease Term

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, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use Assets

Right-of-use "ROU" assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated on the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

Accounting policies applicable with effective from 1 April 2019 (cont'd)

Lease in which the Group and the Bank are a Lessee (cont'd)

(iii) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the net interest income in statements of income.

(iv) Short-term Leases and Leases of Low Value Assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an operating expense in statements of income.

Lease in which the Bank is a Lessor

As a lessor, the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

Accounting policies applicable with effective from 1 April 2019 (cont'd)

Lease in which the Bank is a Lessor (cont'd)

(i) Finance Leases

The Bank classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Bank derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment. In addition, the Bank reviews regularly the estimated unguaranteed residual value. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Bank revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating Leases

The Bank classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Bank recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(iii) Sublease Classification

For the financial year ended 31 March 2019, when the Bank was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets. From 1 April 2019, when the Bank is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU assets arising from the head lease, not with reference to the underlying assets. If a head lease is short-term lease to which the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

(iv) Separating Lease and Non-Lease Components

If an arrangement contains lease and non-lease components, the Bank allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

Accounting policies applicable prior to 1 April 2019

A lease is recognised as a finance lease if it transfers substantially to the Group and the Bank all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

Accounting policies applicable prior to 1 April 2019 (cont'd)

(i) Finance Leases (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the statements of income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e). The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

(ii) Operating Leases

Operating lease payments are recognised in the statements of income on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments or the upfront payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(r) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Group and the Bank, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Share Capital (cont'd)

(iii) Earnings per share (cont'd)

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Revenue Recognition

(i) Recognition of Interest and Financing Income

Interest income and financing income are recognised using effective interest/profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans/financing or, where appropriate, a shorter period to the net carrying amount of the loan/financing. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the loans/financing but does not consider future credit losses. The calculation includes significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and financing income are recognised in the statements of income for all interest/profit-bearing assets on an accrual basis. Interest income and financing income include the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

For impaired loans/financing where the value has been reduced as a result of impairment loss, interest/financing income continues to be accrued using the rate of interest/profit used to discount the future cash flows for the purposes of measuring the impairment.

(ii) Recognition of Fees and Other Income

Fee and commission income of the Group and the Bank are from a wide range of products and services provided to the customers. The income is recognised based on the contractual rates or amount, netted off against fee and commission expense which directly attributable to the income. When the performance obligation is fulfilled, where the products and services are delivered to the customer, fee and commission income will be recognised in statements of income.

For transaction-based fee and commission income, it is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory fees, brokerage income, loan arrangement fees and commissions, management and participation fees, underwriting commissions, service charges on credit cards and sale of unit trust funds. These fees constitute a single performance obligation.

For services that are provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided. This basis of recognition will reflect the nature of these services to the customers over time. Fees for these services can be billed periodically over time. Such fees include commitment, guarantee and portfolio management fees and bancassurance agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue Recognition (cont'd)

(ii) Recognition of Fees and Other Income (cont'd)

Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in statements of income upon disposal of securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at financial investments at fair value through other comprehensive income.

(t) Recognition of Interest and Financing Expenses

Interest expense and attributable profit (on activities relating to Islamic banking business) on deposits and borrowings of the Group and of the Bank are recognised on an accrual basis.

(u) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statements of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statements of income, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

(v) Current and Deferred Income Tax

Income tax on the statements of income for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting date. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Tax is recognised in the statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Current and Deferred Income Tax (cont'd)

Deferred tax is provided in full, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the statements of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Foreclosed Properties

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

(x) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statements of cash flows comprise cash and bank balances and short-term deposits maturity within one month that are readily convertible into cash with insignificant risk of changes in value.

(y) Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. 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 Plans

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statements of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Contingent Assets and Contingent Liabilities

The Group and the Bank do not recognise contingent assets and liabilities other than those from business combination, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(aa) Financial Guarantee Contract

Financial guarantee contracts are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

(ab) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The Management Committee of the Group is identified as the chief operating decision-maker.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	**726,270**	661,540	**697,898**	591,842
Money at call and deposit placements maturing within one month	**2,392,945**	1,143,232	**1,790,630**	980,191
	3,119,215	1,804,772	**2,488,528**	1,572,033
Less: Allowance for expected credit losses	**(1)**	(38)	**(1)**	(38)
	3,119,214	1,804,734	**2,488,527**	1,571,995

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisiers amounting to RM6,452,000 (2019: RM6,122,000).

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Total RM'000
At 1 April 2019	**38**	**–**	**38**
New financial assets originated or purchased	**59**	**–**	**59**
Financial assets derecognised other than write-off	**(95)**	**–**	**(95)**
Changes due to change in credit risk	**(1)**	**–**	**(1)**
Total write-back from income statement	**(37)**	**–**	**(37)**
At 31 March 2020	**1**	**–**	**1**
At 1 April 2018			
As previously stated	–	–	–
Effects of adoption of MFRS 9	42	459	501
As restated	42	459	501
New financial assets originated or purchased	111	423	534
Financial assets derecognised other than write-off	(103)	(896)	(999)
Changes due to change in credit risk	(13)	–	(13)
Other adjustments	1	14	15
Total write-back from income statement	(4)	(459)	(463)
At 31 March 2019	38	–	38

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	**–**	500	**–**	–

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP	
	2020 RM'000	**2019 RM'000**
Due from clients	**51,168**	77,182
Due from brokers	**–**	665
	51,168	77,847
Less: Allowance for expected credit losses	**(3)**	(839)
	51,165	77,008

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

AIBB's normal trade credit terms for non-margin clients is two (2) market days in accordance with the Bursa Malaysia Securities Berhad's ("Bursa") Fixed Delivery and Settlement System ("FDSS") trading rules.

The movements in allowance for expected credit losses are as follows:

	Lifetime ECL	
GROUP	**2020 RM'000**	**2019 RM'000**
At 1 April	**839**	840
Allowance for/(write-back) during the financial year	**3**	(1)
Write-off during the financial year	**(839)**	–
At 31 March	**3**	839

As at 31 March 2020, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired is RM20,000 (2019: RM1,186,000) and was collateralised.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At fair value				
<u>Money market instrument:</u>				
Malaysian Government securities	**281,147**	–	**281,147**	–
Malaysian Government investment issues	**156,782**	41,002	**156,782**	41,002
	437,929	41,002	**437,929**	41,002
<u>Unquoted securities:</u>				
Shares	**202,160**	187,517	**137,768**	126,733
Corporate bonds and sukuk	**10,025**	1,921	**10,025**	1,921
	212,185	189,438	**147,793**	128,654
Total financial assets at FVTPL	**650,114**	230,440	**585,722**	169,656

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value – debt instruments				
Money market instruments:				
Malaysian Government securities	**2,629,580**	2,137,524	**2,423,247**	1,914,515
Malaysian Government investment certificates	**3,678,013**	3,064,770	**2,335,412**	1,710,316
Negotiable instruments of deposits	**–**	–	**505,225**	732,211
Commercial papers	**169,217**	87,001	**139,532**	48,318
	6,476,810	5,289,295	**5,403,416**	4,405,360
Quoted securities:				
Shares	**5**	8	**5**	8
Unquoted securities:				
Corporate bonds and sukuk	**5,067,692**	4,189,159	**3,023,357**	2,447,498
	5,067,692	4,189,159	**3,023,357**	2,447,498
Total financial investments at FVOCI	**11,544,507**	9,478,462	**8,426,778**	6,852,866

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2019	**120**	**444**	**9,409**	**9,973**
New financial investments originated or purchased	**59**	**–**	**–**	**59**
Financial investments derecognised other than write-off	**(29)**	**–**	**–**	**(29)**
Changes due to change in credit risk	**(12)**	**(236)**	**–**	**(248)**
Total charge to/(write-back from) income statement	**18**	**(236)**	**–**	**(218)**
Write-off	**–**	**–**	**(9,409)**	**(9,409)**
At 31 March 2020	**138**	**208**	**–**	**346**

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

Movements in allowance for expected credit losses are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	241	1,106	9,409	10,756
As restated	241	1,106	9,409	10,756
New financial investments originated or purchased	20	–	–	20
Financial investments derecognised other than write-off	(61)	–	–	(61)
Changes due to change in credit risk	(80)	(662)	–	(742)
Total write-back from income statement	(121)	(662)	–	(783)
At 31 March 2019	120	444	9,409	9,973
BANK				
At 1 April 2019	**55**	**327**	**–**	**382**
New financial investments originated or purchased	**43**	**–**	**–**	**43**
Financial investments derecognised other than write-off	**(25)**	**–**	**–**	**(25)**
Changes due to change in credit risk	**(2)**	**(176)**	**–**	**(178)**
Total charge to/(write-back from) income statement	**16**	**(176)**	**–**	**(160)**
At 31 March 2020	**71**	**151**	**–**	**222**
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	134	872	–	1,006
As restated	134	872	–	1,006
New financial investments originated or purchased	8	–	–	8
Financial investments derecognised other than write-off	(42)	–	–	(42)
Changes due to change in credit risk	(45)	(545)	–	(590)
Total write-back from income statement	(79)	(545)	–	(624)
At 31 March 2019	55	327	–	382

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

The Group's and the Bank's movement on gross exposure of financial investments at FVOCI that are credit impaired are as follows:

	GROUP	
	2020 RM'000	**2019 RM'000**
At 1 April		
As previously stated	**9,409**	–
Effects of adoption of MFRS 9	**–**	9,409
As restated	**9,409**	9,409
Write-off during the financial year	**(9,409)**	–
At 31 March	**–**	9,409

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP		BANK	
At amortised cost	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Money market instruments:				
Malaysian Government securities	**–**	121,789	**–**	101,446
Commercial papers	**–**	38,686	**–**	34,880
	–	160,475	**–**	136,326
Unquoted securities:				
Corporate bonds and sukuk	**170,681**	90,020	**195,455**	177,498
Allowance for expected credit losses	**(49,382)**	(14,775)	**(25,050)**	(1,894)
	121,299	75,245	**170,405**	175,604
Total financial investments at amortised cost	**121,299**	235,720	**170,405**	311,930

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

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2019	**42**	**540**	**14,193**	**14,775**
Transfer to Stage 3	**–**	**(1,652)**	**50,000**	**48,348**
New financial investments originated or purchased	**131**	**–**	**–**	**131**
Financial investments derecognised other than write-off	**(26)**	**–**	**–**	**(26)**
Changes due to change in credit risk	**161**	**1,112**	**(12,511)**	**(11,238)**
Total charge to/(write-back from) income statement	**266**	**(540)**	**37,489**	**37,215**
Write-off	**–**	**–**	**(2,608)**	**(2,608)**
At 31 March 2020	**308**	**–**	**49,074**	**49,382**
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	–	–	14,193	14,193
As restated	–	–	14,193	14,193
New financial investments originated or purchased	42	540	–	582
Total charge to income statement	42	540	–	582
At 31 March 2019	42	540	14,193	14,775

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Movements in allowance for expected credit losses are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
BANK				
At 1 April 2019	**330**	**270**	**1,294**	**1,894**
Transfer to Stage 3	**–**	**(826)**	**25,000**	**24,174**
New financial investments originated or purchased	**23**	**–**	**–**	**23**
Financial investments derecognised other than write-off	**(23)**	**–**	**–**	**(23)**
Changes due to change in credit risk	**42**	**556**	**(1,616)**	**(1,018)**
Total charge to/(write-back from) income statement	**42**	**(270)**	**23,384**	**23,156**
At 31 March 2020	**372**	**–**	**24,678**	**25,050**
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	425	–	1,294	1,719
As restated	425	–	1,294	1,719
New financial investments originated or purchased	42	270	–	312
Changes due to change in credit risk	(137)	–	–	(137)
Total (write-back from)/charge to income statement	(95)	270	–	175
At 31 March 2019	330	270	1,294	1,894

The Group's and the Bank's movement on gross exposure of financial investments at amortised cost that are credit impaired are as follows:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
At 1 April				
As previously stated	**18,565**	–	**1,294**	–
Effects of adoption of MFRS 9	**–**	18,565	**–**	1,294
As restated	**18,565**	18,565	**1,294**	1,294
Impaired during the financial year	**50,000**	–	**25,000**	–
Write-back during the financial year	**(16,867)**	–	**(1,616)**	–
Write-off during the financial year	**(2,608)**	–	**–**	–
At 31 March	**49,090**	18,565	**24,678**	1,294

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Group and the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group and the Bank also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 44.

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

	2020			2019		
	Contract/ Notional	Fair Value		Contract/ Notional	Fair Value	
GROUP/BANK	**Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading Derivatives						
Foreign exchange contracts:						
- Currency forwards	**2,947,345**	**79,795**	**(16,168)**	1,446,443	9,238	(14,131)
- Currency swaps	**10,249,592**	**129,672**	**(121,419)**	2,960,820	10,003	(10,326)
- Currency spots	**40,337**	**146**	**(102)**	190,594	246	(200)
- Currency options	**170,504**	**302**	**(392)**	133,034	420	(106)
Interest rate related contracts:						
- Interest rate swaps	**8,973,080**	**101,352**	**(62,213)**	5,352,961	24,198	(2,967)
- Interest rate options	**150,000**	**1,441**	**–**	965,048	10,291	(10,291)
Equity related contracts:						
- Options	**952,938**	**124,202**	**(148,583)**	109,768	1,046	(19,524)
Total derivative assets/(liabilities)	**23,483,796**	**436,910**	**(348,877)**	11,158,668	55,442	(57,545)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
At amortised cost	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Overdrafts	**4,310,148**	4,254,342	**2,611,587**	2,811,642
Term loans/financing				
- Housing loans/financing	**14,215,071**	14,169,222	**10,795,294**	11,220,949
- Syndicated term loans/financing	**387,090**	542,646	**344,603**	400,597
- Hire purchase receivables	**794,286**	997,023	**579,454**	700,548
- Other term loans/financing	**16,484,532**	15,144,370	**12,518,922**	11,726,939
Bills receivables	**544,009**	416,944	**494,913**	404,862
Trust receipts	**234,538**	238,682	**180,322**	199,118
Claims on customers under acceptance credits	**3,198,311**	3,262,886	**2,399,619**	2,492,765
Staff loans (Loans to Directors: RM Nil)	**20,799**	23,217	**4,893**	6,233
Credit/charge card receivables	**591,475**	628,329	**591,475**	628,329
Revolving credits	**1,914,081**	1,842,108	**1,216,715**	1,333,991
Share margin financing	**974,005**	1,210,678	**816,975**	957,244
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217
Add: Sales commissions and handling fees	**100,930**	92,517	**112,016**	102,848
Less: Allowance for expected credit losses on loans, advances and financing	**(659,268)**	(502,663)	**(459,243)**	(363,089)
Total net loans, advances and financing	**43,110,007**	42,320,301	**32,207,545**	32,622,976

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Islamic Bank Berhad ("AIS"), the Bank's wholly owned subsidiary. The contract is based on Wakalah principle where the Bank will provide the funds, while the assets are managed by AIS (as the Wakeel or agent). The risk and rewards of the underlying assets are recognised and borne by the Bank. Hence, the underlying assets and allowances for expected credit losses are recognised and accounted for by the Bank. The total loans, advances and financing for CMTF was at RM74,795,000 as at 31 March 2020 (2019: RM179,795,000).

(i) By maturity structure:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Within one year	**12,002,775**	11,948,217	**8,492,153**	8,882,437
One year to three years	**1,818,830**	2,028,957	**1,420,933**	1,596,836
Three years to five years	**2,566,390**	2,507,701	**1,839,745**	1,734,480
Over five years	**27,280,350**	26,245,572	**20,801,941**	20,669,464
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

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

(ii) By type of customer:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Domestic banking institutions	**7**	–	**7**	–
Domestic non-bank financial institutions	**378,014**	454,420	**313,198**	397,339
Domestic business enterprises				
- Small and medium enterprises	**12,028,450**	11,134,591	**9,313,262**	8,715,301
- Others	**7,920,797**	8,378,248	**5,949,200**	6,462,979
Government and statutory bodies	**61,158**	62,011	**61,158**	62,011
Individuals	**22,586,345**	21,940,809	**16,329,172**	16,586,050
Other domestic entities	**28,176**	18,154	**1,955**	2,087
Foreign entities	**665,398**	742,214	**586,820**	657,450
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

(iii) By interest/profit rate sensitivity:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Fixed rate				
- Housing loans/financing	**29,878**	30,924	**5,717**	3,819
- Hire purchase receivables	**779,425**	975,868	**564,614**	679,421
- Other fixed rate loans/financing	**6,491,640**	6,680,657	**4,348,004**	4,632,043
Variable rate				
- Base lending rate plus	**24,771,256**	26,180,959	**20,145,220**	20,862,144
- Base rate plus	**7,296,462**	4,659,660	**4,293,863**	3,485,583
- Cost plus	**4,299,684**	4,202,379	**3,197,354**	3,220,207
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

(iv) By economic purposes:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Purchase of securities	**1,075,829**	1,204,373	**918,799**	950,940
Purchase of transport vehicles	**591,753**	777,449	**403,320**	496,279
Purchase of landed property	**22,253,657**	22,319,389	**17,374,582**	18,002,032
of which: - Residential	***15,139,741***	*15,172,297*	***11,644,268***	*12,160,606*
- Non-residential	***7,113,916***	*7,147,092*	***5,730,314***	*5,841,426*
Purchase of fixed assets excluding land and buildings	**310,707**	322,933	**253,435**	283,977
Personal use	**5,596,799**	4,624,412	**2,992,022**	2,575,790
Credit card	**591,475**	628,329	**591,475**	628,329
Construction	**917,764**	598,923	**821,135**	542,695
Working capital	**9,834,498**	9,673,428	**7,304,339**	7,455,372
Others	**2,495,863**	2,581,211	**1,895,665**	1,947,803
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(v) By economic sectors:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Primary agriculture	**1,182,797**	1,196,302	**785,972**	833,028
Mining and quarring	**217,775**	108,987	**170,095**	79,178
Manufacturing	**4,649,052**	4,362,547	**3,457,224**	3,335,652
Electricity, gas, and water	**64,751**	27,550	**64,102**	27,275
Construction	**1,450,390**	1,430,089	**1,119,984**	1,221,984
Wholesale, retail trade, restaurants and hotels	**7,205,291**	7,336,428	**5,704,536**	5,855,915
Transport, storage and communication	**734,344**	699,026	**558,353**	520,457
Financing, insurance, real estate and business services	**4,526,853**	4,458,400	**3,514,669**	3,486,142
Community, social and personal services	**365,025**	370,882	**248,597**	234,516
Household	**23,241,404**	22,663,015	**16,905,652**	17,223,493
Others	**30,663**	77,221	**25,588**	65,577
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

(vi) By geographical distribution:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Northern region	**3,201,596**	3,099,338	**2,213,240**	2,231,147
Central region	**31,069,178**	30,518,935	**23,443,133**	23,759,896
Southern region	**5,398,941**	5,273,067	**4,108,062**	3,989,423
Sabah region	**2,935,679**	2,867,868	**2,047,712**	2,174,295
Sarawak region	**1,062,951**	971,239	**742,625**	728,456
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217

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

(vii) Movements in credit impaired loans, advances and financing ("impaired loans") in Stage 3:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 April				
As previously stated	**476,602**	577,519	**369,124**	470,646
Effects of adoption of MFRS 9	**–**	(16,386)	**–**	(15,008)
As restated	**476,602**	561,133	**369,124**	455,638
Impaired during the financial year	**1,170,873**	722,929	**839,485**	533,179
Recovered during the financial year	**(76,964)**	(100,684)	**(64,860)**	(75,340)
Reclassified as unimpaired during the financial year	**(441,903)**	(484,529)	**(336,748)**	(379,515)
Financial assets derecognised other than write-off during the financial year	**(100,252)**	(85,352)	**(64,291)**	(75,194)
Amount written-off	**(157,016)**	(136,895)	**(104,367)**	(89,644)
At 31 March	**871,340**	476,602	**638,343**	369,124
Gross impaired loans as % of gross loans, advances and financing	**2.00%**	1.12%	**1.96%**	1.12%

The Group and the Bank may write-off financial assets when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. The outstanding contractual amounts of such assets written-off during the year amounting to RM157,016,000 and RM104,367,000 (2019: RM136,895,000 and RM89,644,000) for the Group and the Bank respectively. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially or fully written-off and are still subject to enforcement activity.

(viii) Credit impaired loans analysed by economic purposes:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Purchase of transport vehicles	**24,748**	17,088	**18,904**	14,777
Purchase of landed property	**443,777**	234,412	**326,689**	184,647
of which: - Residential	***364,862***	*153,789*	***275,103***	*129,916*
- Non-residential	***78,915***	*80,623*	***51,586***	*54,731*
Purchase of fixed assets excluding land and buildings	**22,100**	21,220	**21,748**	20,579
Personal use	**194,075**	81,293	**112,748**	47,995
Credit card	**11,153**	9,045	**11,153**	9,045
Construction	**8,120**	8,429	**8,120**	8,429
Working capital	**131,961**	79,382	**106,223**	60,685
Others	**35,406**	25,733	**32,758**	22,967
Gross impaired loans	**871,340**	476,602	**638,343**	369,124

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(ix) Credit impaired loans analysed by economic sectors:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Primary agriculture	**1,706**	2,385	**578**	1,272
Mining and quarring	**1,478**	–	**1,478**	–
Manufacturing	**76,982**	47,582	**69,081**	30,372
Construction	**48,823**	27,517	**34,653**	21,788
Wholesale, retail trade, restaurants and hotels	**112,821**	105,193	**81,132**	82,487
Transport, storage and communication	**6,138**	3,392	**4,090**	3,026
Financing, insurance, real estate and business services	**30,232**	25,503	**29,031**	24,265
Community, social and personal services	**3,101**	8,634	**3,101**	8,634
Household	**588,904**	256,388	**414,044**	197,273
Others	**1,155**	8	**1,155**	7
Gross impaired loans	**871,340**	476,602	**638,343**	369,124

(x) Credit impaired loans by geographical distribution:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Northern region	**85,202**	49,667	**60,317**	39,874
Central region	**623,066**	326,982	**449,333**	246,940
Southern region	**118,968**	63,370	**94,908**	49,183
Sabah region	**32,649**	25,316	**24,474**	22,554
Sarawak region	**11,455**	11,267	**9,311**	10,573
Gross impaired loans	**871,340**	476,602	**638,343**	369,124

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

(xi) Movements in the allowance for expected credit losses on loans, advances and financing are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2019	**72,679**	**212,519**	**217,465**	**502,663**
Transfer to Stage 1	**31,354**	**(165,725)**	**(4,458)**	**(138,829)**
Transfer to Stage 2	**(44,896)**	**286,244**	**(105,254)**	**136,094**
Transfer to Stage 3	**(98)**	**(135,779)**	**342,624**	**206,747**
New financial assets originated or purchased	**57,681**	**139,436**	**19,768**	**216,885**
Financial assets derecognised other than write-off	**(26,835)**	**(138,100)**	**(27,367)**	**(192,302)**
Changes due to change in credit risk	**6,655**	**71,828**	**(20,379)**	**58,104**
Other adjustment	**16**	**33**	**12**	**61**
	23,877	**57,937**	**204,946**	**286,760**
Unwinding of discount	**–**	**–**	**(9,410)**	**(9,410)**
Total charge to income statement	**23,877**	**57,937**	**195,536**	**277,350**
Write-off	**(3)**	**(1,169)**	**(119,573)**	**(120,745)**
At 31 March 2020	**96,553**	**269,287**	**293,428**	**659,268**
At 1 April 2018				
As previously stated under MFRS139				372,449
Effects of adoption of MFRS 9				90,879
As restated	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Other adjustment	30	150	–	180
	5,738	8,963	132,537	147,238
Unwinding of discount	–	–	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	–	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(xi) Movements in the allowance for expected credit losses on loans, advances and financing are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
BANK				
At 1 April 2019	**49,135**	**142,622**	**171,332**	**363,089**
Transfer to Stage 1	**21,575**	**(116,457)**	**(3,908)**	**(98,790)**
Transfer to Stage 2	**(29,604)**	**197,930**	**(75,350)**	**92,976**
Transfer to Stage 3	**(81)**	**(82,648)**	**238,931**	**156,202**
New financial assets originated or purchased	**35,395**	**113,212**	**12,829**	**161,436**
Financial assets derecognised other than write-off	**(17,721)**	**(114,040)**	**(18,108)**	**(149,869)**
Changes due to change in credit risk	**4,962**	**37,191**	**(20,077)**	**22,076**
Other adjustment	**16**	**33**	**12**	**61**
	14,542	**35,221**	**134,329**	**184,092**
Unwinding of discount	**–**	**–**	**(6,612)**	**(6,612)**
Total charge to income statement	**14,542**	**35,221**	**127,717**	**177,480**
Write-off	**–**	**(647)**	**(80,679)**	**(81,326)**
At 31 March 2020	**63,677**	**177,196**	**218,370**	**459,243**
At 1 April 2018				
As previously stated under MFRS139				285,402
Effects of adoption of MFRS 9				52,797
As restated	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Other adjustment	30	150	–	180
	5,241	4,979	87,689	97,909
Unwinding of discount	–	–	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	–	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

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

(xi) Movements in the allowance for expected credit losses on loans, advances and financing are as follows: (cont'd)

2020

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM23.9 million and RM14.5 million during the financial year mainly due to:

- Newly originated gross carrying amounts ("GCA") for loans, advances and financing; and
- ECL for GCA transferred from Stage 2 and 3 to Stage 1.

Partly offset by

- ECL for GCA transferred from Stage 1 to Stage 2; and
- Derecognition of GCA for loans, advances and financing from full settlement.

Stage 2 ECL for the Group and the Bank increased by RM56.8 million and RM34.6 million mainly due to:

- ECL for GCA transferred from Stage 1 and 3 to Stage 2.

Partly offset by

- ECL for GCA transferred from Stage 2 to Stage 1 and 3; and
- Derecognition of GCA for loans, advances and financing from full settlement.

Stage 3 ECL for the Group and the Bank increased by RM76.0 million and RM47.0 million mainly due to:

- ECL for GCA transferred from Stage 1 and 2 to Stage 3.

Partly offset by

- ECL for GCA transferred from Stage 3 to Stage 2.

The GCA of the Group and the Bank were written-off by RM159.2 million and RM105.4 million resulted in the reduction of ECL for all stages.

Details of gross carrying amounts are disclosed in Note 44(a)(v).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(xi) Movements in the allowance for expected credit losses on loans, advances and financing are as follows: (cont'd)

2019

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM5.7 million and RM5.2 million during the financial year mainly due to:

- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM23.2 billion and RM15.2 billion;
- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 and 3 to Stage 1 by RM4.3 billion and RM3.4 billion;

Offset by

- Settlement of the Group's and the Bank's gross carrying amount of RM17.5 billion and RM11.9 billion; and
- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 to Stage 2 by RM5.3 billion and RM4.1 billion.

Stage 2 ECL for the Group and the Bank increased by RM9.0 million and RM4.9 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 3 to Stage 2 by RM5.6 billion and RM4.3 billion;
- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM4.8 billion and RM3.2 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 to Stage 1 and 3 by RM5.0 billion and RM3.8 billion; and
- Settlement of the Group's and the Bank's gross carrying amount of RM4.5 billion and RM3.2 billion.

Stage 3 ECL for the Group and the Bank increased by RM132.5 million and RM87.7 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 2 to Stage 3 by RM0.7 billion and RM0.5 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 3 to Stage 2 by RM0.4 billion and RM0.3 billion.

The gross carrying amount of the Group and the Bank were written-off by RM137.3 million and RM89.6 million had resulted in the reduction of Stage 3 and 2.

11. OTHER ASSETS

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Other receivables	**65,827**	86,513	**50,114**	72,185
Collateral pledged for derivative transactions	**137,005**	23,292	**136,767**	23,056
Settlement account	**56,352**	94,606	**56,352**	94,606
Deposits	**8,984**	8,775	**8,330**	8,122
Prepayment	**32,495**	20,038	**29,361**	18,573
Amounts due from subsidiaries [Note (a)]	**–**	–	**18,680**	133,557
Amount due from joint venture [Note (a)]	**171**	299	**309**	299
	300,834	233,523	**299,913**	350,398
Allowance for expected credit losses on other receivables [Note (b)]	**(38,212)**	(34,385)	**(33,143)**	(29,604)
	262,622	199,138	**266,770**	320,794

Note:

(a) Amounts due from subsidiaries and joint venture

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Non-interest bearing	**171**	299	**18,989**	133,856

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayble upon demand.

(b) Movements for allowance for expected credit losses on other receivables are as follows:

Lifetime ECL	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
At 1 April				
As previously stated	**34,385**	32,017	**29,604**	27,578
Effects of adoption of MFRS 9	**–**	–	**–**	–
As restated	**34,385**	32,017	**29,604**	27,578
New financial assets originated or purchased	**299**	1,174	**–**	–
Financial assets derecognised other than write-off	**(179)**	(1,382)	**–**	–
Changes due to change in credit risk	**3,707**	3,527	**3,539**	2,977
Total charge to income statement	**3,827**	3,319	**3,539**	2,977
Write-off	**–**	(951)	**–**	(951)
At 31 March	**38,212**	34,385	**33,143**	29,604

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. STATUTORY DEPOSITS

(a) Non-interest bearing statutory deposits for the Group and the Bank of RM948,949,000 and RM700,355,000 (2019: RM1,521,492,000 and RM1,142,108,000 respectively) are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

(b) Interest bearing statutory deposits of RM100,000 (2019: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

13. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2020 RM'000	**2019 RM'000**
Unquoted shares, at cost		
At 1 April	**989,102**	989,102
Return of capital from a subsidiary	**(80,000)**	–
At 31 March	**909,102**	989,102

The Bank's subsidiaries, all of which incorporated in Malaysia, are:

Name	**Principal activities**	**Effective equity interest 2020 %**	**2019 %**
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	**100**	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	**100**	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	**100**	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
Alliance Trustee Berhad [Note (a)]	Trustee services	**100**	100
Alliance Financial Group Berhad (under members' voluntary winding up)	Dormant	**100**	100

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Bank's subsidiaries, all of which incorporated in Malaysia, are: (cont'd)

Name	Principal activities	Effective equity interest 2020 %	2019 %
Subsidiaries of Alliance Investment Bank Berhad			
ARSB Alliance Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	**–**	100
KLCS Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	**–**	100
Subsidiaries of Alliance Financial Group Berhad			
Kota Indrapura Development (under members' voluntary winding up)	Dormant	**100**	100
Hijauan Setiu Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	**–**	100
Setiu Intergrated Resort Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	**–**	100

Note:

(a) Alliance Trustee Berhad is jointly held by the Bank and the following subsidiaries:

	Effective equity interest 2020 %	2019 %
Alliance Investment Bank Berhad	**20**	20
Alliance Direct Marketing Sdn. Bhd.	**20**	20
AllianceGroup Nominees (Asing) Sdn. Bhd.	**20**	20
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	**20**	20

(b) The below wholly-owned subsidiaries of Alliance Investment Bank Berhad ("AIBB") and Alliance Financial Group Berhad ("AFG") respectively which in turn are wholly-owned subsidiaries of the Bank have been dissolved by way of members' voluntary winding-up pursuant to Section 459(5) of the Companies Act 2016 on 9 August 2019:

Wholly-owned subsidiaries of AIBB

(i) KLCS Sdn. Bhd.

(ii) ARSB Alliance Sdn. Bhd.

Wholly-owned subsidiaries of AFG

(i) Hijauan Setiu Sdn. Bhd.

(ii) Setiu Integrated Resort Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT IN JOINT VENTURE

	GROUP	
	2020 RM'000	2019 RM'000
Unquoted shares		
At 1 April	**802**	693
Share of results	**101**	109
At 31 March	**903**	802
Represented by:		
Share of net tangible assets	**903**	802

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Principal activities	Effective equity interest 2020 %	2019 %
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	**51**	51

Investment in AllianceDBS Research Sdn. Bhd. ("ADBS") is accounted for as an investment in joint venture in accordance with MFRS 128 "Investment in Associates and Joint Ventures" because both of the Group and the other joint venturer have joint control over the decision making of the entity and rights to net assets of the entity.

14. INVESTMENTS IN JOINT VENTURE (CONT'D)

The summarised financial information of the joint venture are as follows:

	GROUP	
	2020 RM'000	**2019 RM'000**
Assets and Liabilities		
Current assets		
Cash and short term funds	**2,378**	2,377
Other current assets	**815**	546
Total current assets	**3,193**	2,923
Non-current assets	**430**	509
Total assets	**3,623**	3,432
Current liabilities		
Other liabilities (non-trade)	**1,774**	1,860
Total current liabilities	**1,774**	1,860
Non-current liabilties	**78**	–
Total liabilities	**1,852**	1,860
Net assets	**1,771**	1,572
The summarised statement of comprehensive income is as follows:		
Revenue	**6,096**	6,585
Profit before tax for the financial year	**264**	284
Profit after tax for the financial year	**199**	213
The above profit includes the following:		
Depreciation and amortisation	**(28)**	(31)
Taxation	**(66)**	(71)
Reconciliation of summarised financial information:		
Net assets		
At 1 April	**1,572**	1,359
Profit for the financial year	**199**	213
At 31 March	**1,771**	1,572
Carrying value at 51% share of the equity interest of a joint venture	**903**	802

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. RIGHT-OF-USE ASSETS

GROUP	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2020						
COST						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	187,342	13,523	2,957	5,663	–	209,485
As restated	187,342	13,523	2,957	5,663	–	209,485
Additions	18,426	–	–	–	796	19,222
Remeasurement	(6,272)	–	–	–	–	(6,272)
Termination of contracts	(3,090)	–	–	–	–	(3,090)
At 31 March 2020	196,406	13,523	2,957	5,663	796	219,345
ACCUMULATED DEPRECIATION						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	61,373	4,238	–	917	–	66,528
As restated	61,373	4,238	–	917	–	66,528
Charge for the financial year	21,824	137	986	1,179	133	24,259
Termination of contracts	(618)	–	–	–	–	(618)
At 31 March 2020	82,579	4,375	986	2,096	133	90,169
ACCUMULATED IMPAIRMENT LOSSES						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	37	–	–	–	37
As restated	–	37	–	–	–	37
At 31 March 2020	–	37	–	–	–	37
NET CARRYING AMOUNT	113,827	9,111	1,971	3,567	663	129,139

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

BANK	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2020						
COST						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	187,112	13,523	2,957	5,663	–	209,255
As restated	187,112	13,523	2,957	5,663	–	209,255
Additions	18,425	–	–	–	796	19,221
Remeasurement	(6,245)	–	–	–	–	(6,245)
Termination of contracts	(3,090)	–	–	–	–	(3,090)
At 31 March 2020	196,202	13,523	2,957	5,663	796	219,141
ACCUMULATED DEPRECIATION						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	61,277	4,238	–	917	–	66,432
As restated	61,277	4,238	–	917	–	66,432
Charge for the financial year	21,778	137	986	1,179	133	24,213
Termination of contracts	(618)	–	–	–	–	(618)
At 31 March 2020	82,437	4,375	986	2,096	133	90,027
ACCUMULATED IMPAIRMENT LOSSES						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	37	–	–	–	37
As restated	–	37	–	–	–	37
At 31 March 2020	–	37	–	–	–	37
NET CARRYING AMOUNT	113,765	9,111	1,971	3,567	663	129,077

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2020									
COST									
At 1 April 2019									
As previously stated	1,953	11,673	1,850	30,332	125,784	56,755	77,435	870	306,652
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(11,673)	(1,850)	–	–	–	–	–	(13,523)
As restated	1,953	–	–	30,332	125,784	56,755	77,435	870	293,129
Additions	–	–	–	–	9,842	6,678	10,334	–	26,854
Disposals	–	–	–	(1,547)	–	–	(7)	(4)	(1,558)
Written-off	–	–	–	–	(5,206)	(5,001)	(34,233)	(10)	(44,450)
At 31 March 2020	1,953	–	–	28,785	130,420	58,432	53,529	856	273,975
ACCUMULATED DEPRECIATION									
At 1 April 2019									
As previously stated	–	3,195	1,043	12,919	118,925	40,408	59,395	208	236,093
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(3,195)	(1,043)	–	–	–	–	–	(4,238)
As restated	–	–	–	12,919	118,925	40,408	59,395	208	231,855
Charge for the financial year	–	–	–	557	3,896	6,192	11,878	138	22,661
Disposals	–	–	–	(765)	–	–	(7)	(4)	(776)
Written-off	–	–	–	–	(5,093)	(4,944)	(34,229)	(10)	(44,276)
At 31 March 2020	–	–	–	12,711	117,728	41,656	37,037	332	209,464
ACCUMULATED IMPAIRMENT LOSSES									
At 1 April 2019									
As previously stated	–	37	–	25	–	–	–	–	62
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(37)	–	–	–	–	–	–	(37)
As restated	–	–	–	25	–	–	–	–	25
At 31 March 2020	–	–	–	25	–	–	–	–	25
NET CARRYING AMOUNT	1,953	–	–	16,049	12,692	16,776	16,492	524	64,486

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2019									
COST									
At 1 April 2018	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
Additions	–	–	–	–	1,951	5,876	16,733	–	24,560
Disposals	–	–	–	–	–	(1,352)	(57)	–	(1,409)
Written-off	–	–	–	–	(387)	(4,065)	(1,311)	–	(5,763)
At 31 March 2019	1,953	11,673	1,850	30,332	125,784	56,755	77,435	870	306,652
ACCUMULATED DEPRECIATION									
At 1 April 2018	–	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
Charge for the financial year	–	118	19	587	6,099	6,876	9,496	138	23,333
Disposals	–	–	–	–	–	(1,348)	–	–	(1,348)
Written-off	–	–	–	–	(383)	(4,042)	(1,296)	–	(5,721)
At 31 March 2019	–	3,195	1,043	12,919	118,925	40,408	59,395	208	236,093
ACCUMULATED IMPAIRMENT LOSSES									
At 1 April 2018/31 March 2019	–	37	–	25	–	–	–	–	62
NET CARRYING AMOUNT	1,953	8,441	807	17,388	6,859	16,347	18,040	662	70,497

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2020									
COST									
At 1 April 2019									
As previously stated	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(11,673)	(1,850)	–	–	–	–	–	(13,523)
As restated	1,953	–	–	29,373	121,888	57,513	72,406	944	284,077
Additions	–	–	–	–	9,577	6,670	10,267	–	26,514
Disposals	–	–	–	(1,547)	–	–	(7)	(4)	(1,558)
Written-off	–	–	–	–	(3,379)	(4,268)	(21,342)	(5)	(28,994)
At 31 March 2020	1,953	–	–	27,826	128,086	59,915	61,324	935	280,039
ACCUMULATED DEPRECIATION									
At 1 April 2019									
As previously stated	–	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(3,195)	(1,043)	–	–	–	–	–	(4,238)
As restated	–	–	–	11,959	115,717	41,803	54,400	243	224,122
Charge for the financial year	–	–	–	557	3,593	6,032	11,790	138	22,110
Disposals	–	–	–	(765)	–	–	(7)	(4)	(776)
Written-off	–	–	–	–	(3,333)	(4,214)	(21,338)	(5)	(28,890)
At 31 March 2020	–	–	–	11,751	115,977	43,621	44,845	372	216,566
ACCUMULATED IMPAIRMENT LOSSES									
At 1 April 2019									
As previously stated	–	37	–	25	–	–	–	–	62
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	(37)	–	–	–	–	–	–	(37)
As restated	–	–	–	25	–	–	–	–	25
At 31 March 2020	–	–	–	25	–	–	–	–	25
NET CARRYING AMOUNT	1,953	–	–	16,050	12,109	16,294	16,479	563	63,448

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2019									
COST									
At 1 April 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Additions	–	–	–	–	1,592	5,851	16,679	–	24,122
Disposals	–	–	–	–	–	(1,352)	(57)	–	(1,409)
Written-off	–	–	–	–	(387)	(4,066)	(1,311)	–	(5,764)
At 31 March 2019	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
ACCUMULATED DEPRECIATION									
At 1 April 2018	–	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Charge for the financial year	–	118	19	587	5,694	6,710	9,408	138	22,674
Disposals	–	–	–	–	–	(1,348)	–	–	(1,348)
Written-off	–	–	–	–	(383)	(4,042)	(1,296)	–	(5,721)
At 31 March 2019	–	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
ACCUMULATED IMPAIRMENT LOSSES									
At 1 April 2018/31 March 2019	–	37	–	25	–	–	–	–	62
NET CARRYING AMOUNT	1,953	8,441	807	17,389	6,171	15,710	18,006	701	69,178

Note:

Included in property, plant and equipment of the Group and the Bank are computer equipment under finance lease with a carrying amount of RM Nil (2019: RM688,000).

Details of the finance lease arrangment is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. DEFERRED TAX

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 taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the statements of financial position after appropriate offsetting are as follows:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deferred tax assets, net	**28,125**	72,972	**14,074**	50,116
Deferred tax liabilities, net	**(8,379)**	(2,163)	**–**	–
	19,746	70,809	**14,074**	50,116

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 April				
As previously stated	**70,809**	10,757	**50,116**	9,223
Effects of adoption of MFRS 9	**–**	34,364	**–**	20,873
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**3,008**	–	**3,004**	–
As restated	**73,817**	45,121	**53,120**	30,096
Recognised in statements of income	**(31,199)**	45,385	**(25,415)**	28,749
Recognised in equity	**(22,872)**	(19,697)	**(13,631)**	(8,729)
At 31 March	**19,746**	70,809	**14,074**	50,116

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

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deferred tax assets	**70,931**	95,872	**45,451**	64,586
Deferred tax liabilities	**(51,185)**	(25,063)	**(31,377)**	(14,470)
	19,746	70,809	**14,074**	50,116

17. DEFERRED TAX (CONT'D)

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

GROUP	Unabsorbed tax losses and capital allowances RM'000	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Financial investments available-for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
At 1 April 2018								
As previously stated	–	–	49,645	–	(36,311)	–	(2,577)	10,757
Effects of adoption of MFRS 9	–	–	–	–	36,311	(1,947)	–	34,364
As restated	–	–	49,645	–	–	(1,947)	(2,577)	45,121
Recognised in statements of income	–	46,878	(651)	–	–	–	(842)	45,385
Recognised in equity	–	–	–	–	–	(19,697)	–	(19,697)
At 31 March 2019/ 1 April 2019	**–**	**46,878**	**48,994**	**–**	**–**	**(21,644)**	**(3,419)**	**70,809**
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**–**	**–**	**–**	**3,008**	**–**	**–**	**–**	**3,008**
As restated	**–**	**46,878**	**48,994**	**3,008**	**–**	**(21,644)**	**(3,419)**	**73,817**
Recognised in statements of income	**2**	**(31,144)**	**3,340**	**(147)**	**–**	**–**	**(3,250)**	**(31,199)**
Recognised in equity	**–**	**–**	**–**	**–**	**–**	**(22,872)**	**–**	**(22,872)**
At 31 March 2020	**2**	**15,734**	**52,334**	**2,861**	**–**	**(44,516)**	**(6,669)**	**19,746**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. DEFERRED TAX (CONT'D)

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

BANK	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Financial investments available-for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/ (liabilities)							
At 1 April 2018							
As previously stated	–	35,236	–	(23,655)	–	(2,358)	9,223
Effects of adoption of MFRS 9	–	–	–	23,655	(2,782)	–	20,873
As restated	–	35,236	–	–	(2,782)	(2,358)	30,096
Recognised in statements of income	32,163	(2,813)	–	–	–	(601)	28,749
Recognised in equity	–	–	–	–	(8,729)	–	(8,729)
At 31 March 2019/ 1 April 2019	**32,163**	**32,423**	**–**	**–**	**(11,511)**	**(2,959)**	**50,116**
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**–**	**–**	**3,004**	**–**	**–**	**–**	**3,004**
As restated	**32,163**	**32,423**	**3,004**	**–**	**(11,511)**	**(2,959)**	**53,120**
Recognised in statements of income	**(22,247)**	**245**	**(137)**	**–**	**–**	**(3,276)**	**(25,415)**
Recognised in equity	**–**	**–**	**–**	**–**	**(13,631)**	**–**	**(13,631)**
At 31 March 2020	**9,916**	**32,668**	**2,867**	**–**	**(25,142)**	**(6,235)**	**14,074**

Note: Other liabilities include provisions and deferred income.

18. INTANGIBLE ASSETS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Goodwill				
Cost:				
At 1 April/ 31 March	**301,997**	301,997	**186,272**	186,272
Impairment:				
At 1 April	**12,032**	3,292	**45**	45
Impaired during the financial year	**4,317**	8,740	**306**	–
At 31 March	**16,349**	12,032	**351**	45
Net carrying amount	**285,648**	289,965	**185,921**	186,227
Computer software				
Cost:				
At 1 April	**307,213**	244,736	**296,622**	236,710
Additions	**49,705**	64,327	**48,947**	61,664
Written-off	**(7,654)**	(1,850)	**(6,912)**	(1,752)
At 31 March	**349,264**	307,213	**338,657**	296,622
Accumulated amortisation:				
At 1 April	**164,217**	134,039	**159,045**	129,956
Charge for the financial year	**36,864**	30,206	**35,366**	29,117
Written-off	**(3,255)**	(28)	**(2,513)**	(28)
At 31 March	**197,826**	164,217	**191,898**	159,045
Net carrying amount	**151,438**	142,996	**146,759**	137,577
Total carrying amount	**437,086**	432,961	**332,680**	323,804

Note: Computer software of the Group and the Bank includes work in progress of RM44,430,000 and RM43,979,000 (2019: RM35,819,000 and RM35,549,000 respectively) which is not amortised until ready for use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. INTANGIBLE ASSETS (CONT'D)

(a) Impairment Test on Goodwill

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill has been allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisitions, identified according to the business segments as follows:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Consumer banking	**101,565**	101,565	**67,513**	67,513
Business banking	**100,822**	100,822	**81,448**	81,448
Financial markets	**83,261**	83,261	**36,960**	36,960
Corporate finance and capital market	**–**	630	**–**	40
Stockbroking business	**–**	3,687	**–**	266
	285,648	289,965	**185,921**	186,227

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations uses pre-tax cash flow projections based on financial budget and business plans approved by the Board of Directors. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the CGUs. The discount rate used in determining the recoverable amount are as follows:

	GROUP	
	2020 %	**2019 %**
Consumer banking	**7.87**	7.92
Business banking	**7.91**	7.93
Financial markets	**5.51**	6.47
Corporate finance and capital market	**–**	7.92
Stockbroking business	**–**	7.87

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on multiple probability weighted scenarios considering a number of key factors including past performance and management's expectation of market developments. It has also taken consideration on the recent development on COVID-19 and economic slowdown where:

- Additional reduction of overnight policy rate by 50bps to 75bps for financial year 2021;
- Impact of a period of 6 months moratorium of loans and financing repayment; and
- Lower revenue ranging from 1% to 15% resulting from business disruption for Consumer Banking, Business Banking and Financial Market CGU.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at 4.0% (2019: 4.6%), representing the forecasted GDP growth rate of the country for the CGUs.

18. INTANGIBLE ASSETS (CONT'D)

(a) Impairment Test on Goodwill (cont'd)

(iii) Impairment

During the financial year, the Group and the Bank have recognised an impairment loss of RM4,317,000 and RM306,000 (2019: RM8,740,000 and RM Nil) in respect of the stockbroking business and corporate finance and capital market. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic condition.

(b) Sensitivity to changes in assumptions

Management is of a view that any reasonable possible changes in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs other than the stockbroking business and corporate finance and capital market CGUs which was impaired during the year.

Sensitivity analysis was performed by stressing the terminal growth rates ranging between -7.1% to -11.7% or the discount rates ranging between 15.7% to 16.6% which resulted in a breakeven point between the carrying amount and recoverable amount for the CGUs.

19. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Demand deposits	**16,336,793**	14,207,328	**12,940,524**	11,510,890
Savings deposits	**1,794,343**	1,753,526	**1,455,337**	1,432,970
Fixed/investment deposits	**26,860,214**	25,676,643	**20,127,431**	19,430,211
Money market deposits	**3,091,717**	2,917,200	**1,848,021**	2,206,407
Negotiable instruments of deposits	**342,785**	462,935	**331,676**	402,384
	48,425,852	45,017,632	**36,702,989**	34,982,862

(i) The maturity structure of fixed deposits, money market deposits and negotiable instruments of deposits are as follows:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Due within six months	**21,708,936**	19,128,642	**16,266,375**	14,877,446
Six months to one year	**7,853,476**	8,833,425	**5,868,205**	6,994,821
One year to three years	**619,982**	730,686	**165,879**	157,981
Three years to five years	**112,322**	364,025	**6,669**	8,754
	30,294,716	29,056,778	**22,307,128**	22,039,002

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Domestic financial institutions	**346,226**	306,199	**378,170**	390,046
Domestic non-bank financial institutions	**2,867,100**	2,516,834	**1,749,057**	1,769,027
Government and statutory bodies	**4,553,365**	5,450,441	**2,663,444**	2,975,054
Business enterprises	**17,528,515**	16,909,336	**13,143,178**	12,894,883
Individuals	**21,637,127**	18,637,918	**17,491,535**	15,917,675
Foreign entities	**813,970**	630,733	**712,076**	559,770
Others	**679,549**	566,171	**565,529**	476,407
	48,425,852	45,017,632	**36,702,989**	34,982,862

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Licensed banks	**814,332**	252,558	**464,076**	12,467
Licensed investment banks	**250,137**	30,051	**–**	–
Bank Negara Malaysia	**479,177**	576,099	**269,488**	332,368
	1,543,646	858,708	**733,564**	344,835

21. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP	
	2020 RM'000	**2019 RM'000**
Due to clients	**18,133**	51,164
Due to brokers	**4,159**	–
	22,292	51,164

These mainly relate to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

The Group's normal trade credit terms for non-margin clients is two (2) market days according to the Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statements of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM100,252,000 (2019: RM56,655,000) have been excluded accordingly.

22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Structured investments designated at fair value for the Group and the Bank include investments with embedded equity linked options, interest rate index linked options and foreign currency options.

The Group and the Bank designated certain structured investments at fair value through profit or loss. The structured investments are recorded at fair value.

The fair value changes of the structured investments that are attributable to the changes in own credit risk are not significant.

	GROUP/BANK	
	2020 RM'000	**2019 RM'000**
Structured investments	**451,999**	815,079
Fair value changes arising from designation at fair value through profit or loss	**(24,914)**	(36,656)
	427,085	778,423

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 March 2020 were lower than the contractual amount at maturity for the structured investments by RM24,914,000 (2019: RM36,656,000).

23. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Amortised cost	**369,469**	–	**221,387**	–

24. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

This relates to proceeds received from housing loans/financing and hire purchase loans/financing sold directly to Cagamas Berhad with recourse to the Group and the Bank. Under the agreement, the Group and the Bank undertake to administer the loans/financing on behalf of Cagamas Berhad and to buy back any loans/financing which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. LEASE LIABILITIES

	GROUP 2020 RM'000	BANK 2020 RM'000
At 1 April		
As previously stated	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	**144,571**	144,423
As restated	**144,571**	144,423
Additions	**19,090**	19,090
Termination of contracts	**(2,472)**	(2,472)
Interest expense	**6,577**	6,572
Lease payment	**(31,271)**	(31,218)
Remeasurement	**(6,272)**	(6,245)
At 31 March	**130,223**	130,150

Note:

	GROUP 2020 RM'000	BANK 2020 RM'000
Interest expense	**6,577**	6,572
Expense related to short-term leases (included in establishment expense)	**3,317**	3,317
Income from subleasing ROU assets	**196**	2,316
Total cash outflow for leases	**31,271**	31,218

The Group and the Bank lease premises, office equipment and furniture, computer equipment and motor vehicles. Rental contracts are typically made for the periods range from 3 to 5 years but may have extension options.

Extension and termination options are included in a number of leases across the Group and the Bank. The Group and the Bank manage the leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included, when possible, to provide a greater flexibility after the end of the agreement. The individual terms and conditions used vary across the Group and the Bank. The majority of extension and termination options held are exercisable only by the Group and the Bank and not by the respective lessors.

In cases in which the Group and the Bank are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

Potential future cash outflows of RM81,625,000 have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended or not terminated.

26. OTHER LIABILITIES

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Other payables	**433,803**	488,686	**355,982**	406,233
Collateral pledged for derivative transactions	**82,766**	8,456	**82,766**	8,456
Bills payable	**118,840**	175,095	**113,128**	166,622
Settlement account	**15,226**	80,059	**15,226**	80,059
Clearing account	**97,244**	224,575	**73,638**	174,407
Sundry deposits	**51,136**	40,962	**46,615**	35,705
Provision and accruals	**127,500**	129,763	**115,285**	117,929
Remisiers accounts	**6,453**	6,122	**–**	–
Finance lease liabilities [Note (a)]	**–**	688	**–**	688
Structured investments	**430,759**	553,627	**430,759**	553,627
Amount due to joint venture [Note (b)]	**–**	160	**–**	–
Allowance for expected credit losses on commitments and contingencies [Note (c)]	**24,339**	32,604	**19,787**	28,582
	1,388,066	1,740,797	**1,253,186**	1,572,308

Note:

(a) Finance lease liabilities of the Group and the Bank are as follows:

GROUP/BANK	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2020			
Within one year	**–**	**–**	**–**
	–	**–**	**–**
At 31 March 2019			
Within one year	695	(7)	688
	695	(7)	688

The Group and the Bank lease computer equipment under finance lease. At the end of the lease term, the Group and the Bank have the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

(b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. OTHER LIABILITIES (CONT'D)

(c) Movements for allowance for expected credit losses on commitments and contingencies are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2019	**6,833**	**16,664**	**9,107**	**32,604**
Transfer to Stage 1	**2,266**	**(19,976)**	**(81)**	**(17,791)**
Transfer to Stage 2	**(1,390)**	**15,583**	**(647)**	**13,546**
Transfer to Stage 3	**(1)**	**(399)**	**764**	**364**
New financial assets originated or purchased	**2,528**	**7,732**	**–**	**10,260**
Financial assets derecognised other than write-off	**(1,636)**	**(8,075)**	**(4,391)**	**(14,102)**
Changes due to change in credit risk	**(21)**	**(541)**	**198**	**(364)**
Other adjustments	**3**	**8**	**–**	**11**
	1,749	**(5,668)**	**(4,157)**	**(8,076)**
Unwinding of discount	**–**	**–**	**(189)**	**(189)**
Total charge to/(write-back from) income statement	**1,749**	**(5,668)**	**(4,346)**	**(8,265)**
At 31 March 2020	**8,582**	**10,996**	**4,761**	**24,339**
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	8,562	21,295	14,143	44,000
As restated	8,562	21,295	14,143	44,000
Transfer to Stage 1	1,023	(10,403)	–	(9,380)
Transfer to Stage 2	(1,396)	11,958	(401)	10,161
Transfer to Stage 3	–	(1,058)	7,298	6,240
New financial assets originated or purchased	5,696	5,704	73	11,473
Financial assets derecognised other than write-off	(3,728)	(8,063)	(12,148)	(23,939)
Changes due to change in credit risk	(3,330)	(2,786)	161	(5,955)
Other adjustments	6	17	–	23
	(1,729)	(4,631)	(5,017)	(11,377)
Unwinding of discount	–	–	(19)	(19)
Total write-back from income statement	(1,729)	(4,631)	(5,036)	(11,396)
At 31 March 2019	6,833	16,664	9,107	32,604

26. OTHER LIABILITIES (CONT'D)

(c) Movements for allowance for expected credit losses on commitments and contingencies are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
BANK				
At 1 April 2019	**6,097**	**13,483**	**9,002**	**28,582**
Transfer to Stage 1	**1,821**	**(16,370)**	**(80)**	**(14,629)**
Transfer to Stage 2	**(1,187)**	**12,910**	**(645)**	**11,078**
Transfer to Stage 3	**–**	**(399)**	**759**	**360**
New financial assets originated or purchased	**2,174**	**5,891**	**–**	**8,065**
Financial assets derecognised other than write-off	**(1,429)**	**(7,265)**	**(4,286)**	**(12,980)**
Changes due to change in credit risk	**(7)**	**(703)**	**207**	**(503)**
Other adjustments	**2**	**8**	**–**	**10**
	1,374	**(5,928)**	**(4,045)**	**(8,599)**
Unwinding of discount	**–**	**–**	**(196)**	**(196)**
Total charge to/(write-back from) income statement	**1,374**	**(5,928)**	**(4,241)**	**(8,795)**
At 31 March 2020	**7,471**	**7,555**	**4,761**	**19,787**
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	7,520	15,587	4,183	27,290
As restated	7,520	15,587	4,183	27,290
Transfer to Stage 1	867	(8,597)	–	(7,730)
Transfer to Stage 2	(1,257)	10,651	(395)	8,999
Transfer to Stage 3	–	(1,046)	7,069	6,023
New financial assets originated or purchased	5,120	4,157	73	9,350
Financial assets derecognised other than write-off	(3,148)	(6,291)	(2,454)	(11,893)
Changes due to change in credit risk	(3,011)	(987)	538	(3,460)
Other adjustments	6	9	–	15
	(1,423)	(2,104)	4,831	1,304
Unwinding of discount	–	–	(12)	(12)
Total (write-back from)/charge to income statement	(1,423)	(2,104)	4,819	1,292
At 31 March 2019	6,097	13,483	9,002	28,582

As at 31 March 2020, the Group's and the Bank's gross exposure of commitments and contingencies that are credit impaired was at RM8,829,000 and RM7,820,000 (2019: RM16,460,000 and RM14,481,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SUBORDINATED OBLIGATIONS

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Subordinated Medium Term Notes ("Sub-MTNs")/ Additional Tier I Capital Securities/ Additional Tier I Sukuk Wakalah					
RM900 million Sub-MTNs	(a)	**921,805**	921,510	**921,748**	921,300
RM300 million Sub-MTNs	(b)	**304,876**	304,830	**304,823**	304,745
RM150 million Additional Tier I Capital Securities	(c)	**153,568**	153,491	**153,308**	153,144
RM100 million Additional Tier I Capital Securities	(d)	**100,375**	100,391	**100,375**	100,391
RM40 million Additional Tier I Sukuk Wakalah	(e)	**40,013**	–	**–**	–
		1,520,637	1,480,222	**1,480,254**	1,479,580

(a) RM900 million Sub-MTNs

On 27 October 2015, the Bank issued RM900 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
At cost	**900,000**	900,000	**900,000**	900,000
Accumulated unaccreted discount	**(171)**	(324)	**(228)**	(534)
Interest accrued	**21,976**	21,834	**21,976**	21,834
	921,805	921,510	**921,748**	921,300

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

(i) Issue date: 27 October 2015

(ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date: 27 October 2025

(iv) Interest rate/coupon: 5.75% per annum, payable semi-annually in arrears

(v) Call date: 27 October 2020 and thereafter on every coupon payment date

(vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.

(vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

27. SUBORDINATED OBLIGATIONS (CONT'D)

(b) RM300 million Sub-MTNs

On 18 December 2015, the Bank issued RM300 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At cost	**300,000**	300,000	**300,000**	300,000
Accumulated unaccreted discount	**–**	–	**(53)**	(85)
Interest accrued	**4,876**	4,830	**4,876**	4,830
	304,876	304,830	**304,823**	304,745

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.65% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

(i) Issue date: 18 December 2015

(ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date: 18 December 2025

(iv) Interest rate/coupon: 5.65% per annum, payable semi-annually in arrears

(v) Call date: 18 December 2020 and thereafter on every coupon payment date

(vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.

(vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SUBORDINATED OBLIGATIONS (CONT'D)

(c) RM150 million Additional Tier I Capital Securities

On 8 November 2017, the Bank issued RM150 million Additional Tier I Capital Securities under the RM1.0 billion Additional Tier I Capital Securities Programme.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At cost	**150,000**	150,000	**150,000**	150,000
Accumulated unaccreted discount	**(156)**	(208)	**(416)**	(555)
Interest accrued	**3,724**	3,699	**3,724**	3,699
	153,568	153,491	**153,308**	153,144

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 6.25% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

(i) Issue date: 8 November 2017

(ii) Tenure of the facility/issue: Perpertual Non-callable five (5) years

(iii) Interest rate/coupon: 6.25% per annum, payable semi-annually in arrears

(iv) Call date: 8 November 2022 and thereafter on every coupon payment date

(v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.

(vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

27. SUBORDINATED OBLIGATIONS (CONT'D)

(d) RM100 million Additional Tier I Capital Securities

On 8 March 2019, the Bank issued RM100 million Additional Tier I Capital Securities under the RM1.0 billion Additional Tier I Capital Securities Programme.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At cost	**100,000**	100,000	**100,000**	100,000
Interest accrued	**375**	391	**375**	391
	100,375	100,391	**100,375**	100,391

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 5.95% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

(i) Issue date: 8 March 2019

(ii) Tenure of the facility/issue: Perpertual Non-callable five (5) years

(iii) Interest rate/coupon: 5.95% per annum, payable semi-annually

(iv) Call date: 8 March 2024 and thereafter on every distribution payment date

(v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.

(vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SUBORDINATED OBLIGATIONS (CONT'D)

(e) RM40 million Additional Tier I Sukuk Wakalah

On 29 March 2019, Alliance Islamic Bank Berhad, a wholly-owned subsidiary of the Bank issued RM100.0 million Islamic Additional Tier I Sukuk Wakalah ("AT1 Sukuk") of RM100.0 million in nominal value ("AT1 Sukuk Issuance") pursuant to Alliance Islamic's Sukuk Programme.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At cost	**40,000**	–	**–**	–
Interest accrued	**13**	–	**–**	–
	40,013	–	**–**	–

The main features of the capital securities are as follows:

(i) Issue date: 29 March 2019

(ii) Tenure of the facility/issue: Perpertual Non-callable five (5) years

(iii) Maturity date 29 March 2024

(iv) Coupon rate 5.95% per annum, payable semi-annually

(iv) Call date: 29 March 2024 and thereafter on every distribution payment date

(v) The AT1 Sukuk constitutes direct and unsecured obligations of the issuer and are subordinated to depositors, general creditors and other holders of subordinated debt of the issuer.

(vi) Upon the occurance of any winding up proceeding, the amount payable on the AT1 Sukuk will be subordinated in right of payment to the prior payment in full of all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which their terms rank equally with or junior to the AT1 Sukuk.

28. SHARE CAPITAL

	2020		2019	
	Number of ordinary shares '000	**RM'000**	**Number of ordinary shares '000**	**RM'000**
GROUP				
Ordinary shares issued and fully paid:				
At 1 April 2019/31 March 2020	**1,548,106**	**1,548,106**	1,548,106	1,548,106
BANK				
Ordinary shares issued and fully paid:				
At 1 April 2019/31 March 2020	**1,548,106**	**1,548,106**	1,548,106	1,548,106

29. RESERVES

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Non-distributable:					
Regulatory reserves	(a)	**224,579**	178,397	**182,292**	160,798
Capital reserves	(b)	**100,150**	100,150	**15,515**	95,515
FVOCI reserves	(c)	**141,312**	78,513	**79,834**	36,831
		466,041	357,060	**277,641**	293,144
Distributable:					
Retained profits		**3,974,847**	3,827,676	**3,346,890**	3,128,589
		4,440,888	4,184,736	**3,624,531**	3,421,733

Notes:

(a) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 April 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.

(c) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statements of income upon disposal and the cumulative allowance for expected credit losses on these investments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. INTEREST INCOME

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Loans, advances and financing	**1,647,131**	1,637,738	**1,614,037**	1,608,250
Money at call and deposit placements with financial institutions	**13,905**	12,782	**15,934**	22,226
Financial investments at fair value through other comprehensive income	**318,454**	260,639	**292,218**	249,720
Financial investments at amortised cost	**6,818**	14,174	**12,866**	18,176
Others	**364**	751	**364**	751
	1,986,672	1,926,084	**1,935,419**	1,899,123
Accretion of discount less amortisation of premium	**83,215**	84,578	**83,950**	83,707
	2,069,887	2,010,662	**2,019,369**	1,982,830

Included in interest income on loans, advances and financing for the current financial year is interest/profit accrued on impaired loans/financing of the Group and the Bank of RM7,055,000 (2019: RM5,465,000).

31. INTEREST EXPENSE

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Deposits and placements of banks and other financial institutions	**33,178**	17,056	**14,977**	9,787
Deposits from customers	**946,241**	887,040	**921,624**	865,897
Recourse obligations on loans and financing sold to Cagamas	**13,627**	25,182	**13,627**	25,182
Subordinated obligations	**84,538**	78,732	**84,732**	78,915
Lease liabilities	**6,577**	–	**6,572**	–
Others	**4,892**	4,569	**4,892**	4,569
	1,089,053	1,012,579	**1,046,424**	984,350

32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP 2020 RM'000	GROUP 2019 RM'000
Income derived from investment of depositors' funds and others	**647,244**	593,548
Income derived from investment of Islamic Banking funds	**64,966**	60,588
Income attributable to the depositors and financial institutions	**(334,314)**	(295,079)
	377,896	359,057

Note:

Net income from Islamic banking business comprises income generated from Alliance Islamic Bank Berhad ("AIS"), and Islamic banking business of Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of the Bank.

33. OTHER OPERATING INCOME

		GROUP		BANK	
		2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(a)	Fee and commission income:				
	Commissions	**93,500**	80,064	**93,500**	80,064
	Service charges and fees	**29,837**	29,322	**29,290**	28,851
	Corporate advisory fees	**3,502**	3,214	**–**	–
	Underwriting commissions	**2,205**	520	**–**	–
	Brokerage fees	**26,558**	30,178	**–**	–
	Guarantee fees	**14,704**	15,131	**14,678**	14,696
	Processing fees	**9,604**	10,962	**7,710**	7,407
	Commitment fees	**17,544**	17,404	**17,500**	17,358
	Cards related income	**79,815**	83,950	**79,815**	83,950
	Other fee income	**6,003**	6,001	**6,000**	5,794
		283,272	276,746	**248,493**	238,120
(b)	Fee and commission expense:				
	Commissions expense	**(5,223)**	(1,398)	**(5,634)**	(1,398)
	Service charges and fees expense	**(1,025)**	–	**(1,025)**	–
	Brokerage fees expense	**(8,859)**	(9,552)	**(30)**	(9)
	Guarantee fees expense	**(4,405)**	(225)	**(4,405)**	(225)
	Cards related expense	**(67,606)**	(75,313)	**(67,606)**	(75,313)
		(87,118)	(86,488)	**(78,700)**	(76,945)
(c)	Investment income:				
	Realised gain/(loss) arising from sale/redemption of:				
	- Financial assets at fair value through profit or loss	**15,481**	3,378	**15,361**	3,377
	- Financial investments at fair value through other comprehensive income	**17,634**	2,684	**14,402**	2,119
	- Derivative instruments	**(25,430)**	20,157	**(25,430)**	20,157
	- Other investments	**5**	–	**5**	–
	Marked-to-market revaluation gain/(loss):				
	- Financial assets at fair value through profit or loss	**23,207**	12,092	**19,599**	8,248
	- Derivative instruments	**63,991**	18,276	**63,991**	18,276
	- Financial liabilities designated at fair value through profit or loss	**(11,742)**	(12,809)	**(11,742)**	(12,809)
	Gross dividend income from:				
	- Financial assets at fair value through profit or loss	**4,419**	1,299	**2,668**	749
	- Subsidiaries	**–**	–	**48,031**	80,154
		87,565	45,077	**126,885**	120,271
(d)	Other income:				
	Foreign exchange gain	**22,712**	2,101	**22,343**	1,689
	Rental income	**196**	–	**2,316**	711
	Gain on disposal of property, plant and equipment	**5,319**	8	**5,319**	8
	Others	**18,644**	27,517	**18,034**	27,470
		46,871	29,626	**48,012**	29,878
	Total other operating income	**330,590**	264,961	**344,690**	311,324

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. OTHER OPERATING EXPENSES

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Personnel costs				
- Salaries, allowances and bonuses	**398,200**	380,786	**302,135**	292,799
- Contribution to EPF	**64,472**	60,223	**49,103**	46,439
- Others	**53,402**	48,625	**41,224**	38,904
	516,074	489,634	**392,462**	378,142
Establishment costs				
- Depreciation of property, plant and equipment	**22,661**	23,333	**22,110**	22,674
- Depreciation of right-of-use assets	**24,259**	–	**24,213**	–
- Amortisation of computer software	**36,864**	30,206	**35,366**	29,117
- Rental of premises	**1,872**	29,573	**1,126**	23,233
- Water and electricity	**7,782**	7,818	**5,785**	5,664
- Repairs and maintenance	**9,969**	9,747	**7,868**	7,384
- Information technology expenses	**69,434**	58,628	**51,048**	47,552
- Others	**10,680**	15,855	**658**	6,333
	183,521	175,160	**148,174**	141,957
Marketing expenses				
- Promotion and advertisement	**11,489**	12,518	**9,339**	10,796
- Branding and publicity	**12,071**	13,233	**8,267**	9,167
- Others	**7,719**	8,270	**5,081**	5,140
	31,279	34,021	**22,687**	25,103
Administration and general expenses				
- Communication expenses	**10,835**	11,601	**8,113**	8,609
- Printing and stationery	**2,352**	2,676	**1,823**	2,070
- Insurance	**11,682**	11,182	**10,091**	10,033
- Professional fees	**27,472**	23,485	**20,666**	18,392
- Others	**23,804**	27,188	**17,213**	17,465
	76,145	76,132	**57,906**	56,569
Total other operating expenses	**807,019**	774,947	**621,229**	601,771

Included in the other operating expenses are the following:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Auditors' remuneration				
- statutory audit fees	**1,763**	1,351	**1,345**	978
- audit related fees	**678**	726	**428**	458
- tax compliance fees	**106**	100	**56**	53
- tax related services	**360**	60	**331**	52
- non-audit related services	**–**	185	**–**	125
Hire of equipment	**1,434**	2,447	**1,434**	2,447
Property, plant and equipment written-off	**174**	42	**104**	43
Computer software written-off	**4,399**	1,822	**4,399**	1,724

35. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Allowance for expected credit losses on:				
(a) Loans, advances and financing				
- Allowance made during the financial year	**286,760**	147,238	**184,092**	97,909
(b) Credit impaired loans, advances and financing				
- Recovered	**(46,063)**	(44,304)	**(32,889)**	(29,192)
- Written-off	**36,820**	36,437	**22,389**	22,083
(c) Commitments and contingencies on loan, advances and financing				
- (Write-back of)/allowance made during the financial year	**(8,076)**	(11,377)	**(8,599)**	1,304
	269,441	127,994	**164,993**	92,104
Allowance for/(write-back of) expected credit losses on:				
- Amounts due from clients and brokers	**3**	(1)	**–**	–
- Other receivables	**3,827**	3,319	**3,539**	2,977
- Cash and short-term funds	**(37)**	(463)	**(37)**	(463)
	273,234	130,849	**168,495**	94,618

36. ALLOWANCE FOR/(WRITE-BACK OF) EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(a) Financial investments at fair value through other comprehensive income				
- Write-back during the financial year	**(218)**	(783)	**(160)**	(624)
(b) Financial investments at amortised cost				
- Allowance made during the financial year	**37,215**	582	**23,156**	175
	36,997	(201)	**22,996**	(449)

37. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Intangible assets - Goodwill	**4,317**	8,740	**306**	–
Commitments and contingencies	**–**	(148)	**–**	(148)
	4,317	8,592	**306**	(148)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. TAXATION

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Income tax:				
Current financial year	**159,856**	222,893	**122,548**	163,354
Real property gain tax	**183**	–	**183**	–
Over provision in prior years	**(47,647)**	(7,082)	**(32,675)**	(6,545)
	112,392	215,811	**90,056**	156,809
Deferred tax (Note 17)				
Current financial year	**(16,488)**	(46,476)	**(7,718)**	(30,427)
Under provision in prior years	**47,687**	1,091	**33,133**	1,678
	31,199	(45,385)	**25,415**	(28,749)
	143,591	170,426	**115,471**	128,060

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) on the estimated assessable profit for the financial year.

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

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Profit before taxation	**567,854**	708,023	**504,609**	614,012
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	**136,285**	169,926	**121,106**	147,363
Income not subject to tax	**(6,621)**	(3,028)	**(16,838)**	(21,407)
Expenses not deductible for tax purposes	**13,704**	9,519	**10,562**	6,971
Real property gain tax	**183**	–	**183**	–
Under/(Over) provision of tax expense in prior years	**40**	(5,991)	**458**	(4,867)
Tax expense for the financial year	**143,591**	170,426	**115,471**	128,060

39. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit for the year attributable to equity holders of the Bank	**424,263**	537,597	**389,138**	485,952
	2020 '000	**2019 '000**	**2020 '000**	**2019 '000**
Weighted average numbers of ordinary shares in issue	**1,548,106**	1,548,106	**1,548,106**	1,548,106
	2020 sen	**2019 sen**	**2020 sen**	**2019 sen**
Basic earnings per share	**27.4**	34.7	**25.1**	31.4

(b) Diluted

For the purpose of calculating diluted earning per share, the profit for the year attributable to Equity holders of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, (non-cumulative).

There were no dilutive potential ordinary shares outstanding as at 31 March 2020 and 31 March 2019 respectively. As a result, the dilutive earnings per share equal to basic earnings per share for financial year ended 31 March 2020 and 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
First interim dividend				
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 28 December 2018 to the shareholders.	**–**	131,589	**–**	131,589
6.0 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2020, was paid on 30 December 2019 to the shareholders.	**92,886**	–	**92,886**	–
Second interim dividend				
6.8 sen per share, on 1,548,105,929 ordinary shares, declared in the financial year ended 31 March 2018, was paid on 28 June 2018 to the shareholders.	**–**	105,271	**–**	105,271
8.2 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 27 June 2019 to the shareholders.	**126,945**	–	**126,945**	–
	219,831	236,860	**219,831**	236,860

In light of the current COVID-19 pandemic, the full effects of which cannot be estimated reliably, the Directors do not recommend any further dividend for the financial year ended 31 March 2020.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Group's and the Bank's other significant related party transactions and balances:

The related parties of, and their relationship with the Group and the Bank are as follows:

Relationship	**Related parties**
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Bank (including close members of their families). Other members of key management personnel of the Group and the Bank are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
- Substantial shareholders	Substantial shareholders refer to those entities or persons having significant voting power in the Group and/or the Bank, directly or indirectly, resides with certain Directors of the Group and/or the Bank.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 13.
- Joint venture	Joint venture of the Bank as disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Transactions				
Interest income				
- subsidiaries	**–**	–	**35,168**	46,607
- key management personnel	**43**	37	**19**	20
Dividend income				
- subsidiaries	**–**	–	**48,031**	80,154
Management fees				
- subsidiaries	**–**	–	**185**	154
Rental income				
- subsidiaries	**–**	–	**2,120**	717
- joint venture	**196**	–	**196**	–
Other income				
- subsidiaries	**–**	–	**17**	–
Other operating expenses recharged				
- subsidiaries	**–**	–	**124,833**	113,451
- joint venture	**149**	221	**149**	221
Interest expenses				
- subsidiaries	**–**	–	**(40)**	(42)
- joint venture	**(55)**	(39)	**–**	–
- key management personnel	**(627)**	(550)	**(525)**	(502)
- substantial shareholders	**(2)**	(2)	**(2)**	(2)
Rental expenses				
- joint venture	**–**	(1)	**–**	(1)
Other operating expenses				
- subsidiaries	**–**	–	**(507)**	(205)
- joint venture/other related company [Note (a)]	**(2,696)**	(3,011)	**(1,159)**	(1,198)
- substantial shareholders [Note (b)]	**–**	(260)	**–**	(260)
Commission paid				
- subsidiaries	**–**	–	**(20,322)**	(18,247)

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

Significant related party transactions and balances as follows: (cont'd)

(a) Transactions (cont'd)

Note:
As at 31 March 2020:

(a) The Group and the Bank have paid RM2,614,000 and RM1,124,000 respectively (2019: RM2,895,000 and RM1,149,000) to the joint venture/other related company for the research services provided, where the joint venture/other related company was jointly held by Alliance Investment Bank Berhad and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.

(b) The Group and the Bank have paid RM Nil (2019: RM260,000) for staff secondment to an indirect shareholder, Fullerton Financial Holdings (International) Pte. Ltd., a company incorporated in Singapore.

(c) Other than transactions with joint venture company and Fullerton Financial Holdings (International) Pte. Ltd., all intercompany transactions are conducted in Malaysia.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(b) Balances				
Deposits from customers				
- subsidiaries	**–**	–	**(32,865)**	(34,831)
- joint venture	**(2,221)**	(2,377)	**(18)**	(375)
- key management personnel	**(12,837)**	(20,269)	**(9,739)**	(19,005)
- substantial shareholders	**(697)**	(645)	**(697)**	(645)
Financial investments at fair value through other comprehensive income				
- subsidiaries	**–**	–	**501,083**	745,432
Financial investments at amortised cost				
- subsidiaries	**–**	–	**130,039**	130,666
Loans, advances and financing				
- key management personnel	**2,122**	5,131	**691**	3,063
Money at call and deposit placements with financial institutions				
- subsidiaries	**–**	–	**92,286**	119,852
Other assets				
- subsidiaries	**–**	–	**18,680**	133,557
- joint venture	**171**	299	**309**	299
Other liabilities				
- subsidiaries	**–**	–	**300**	–
- joint venture	**–**	(160)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Significant related party transactions and balances as follows: (cont'd)

(c) Compensation of key management personnel

Remuneration of Chief Executive Officers ("CEO"), Non-executive Directors and other members of key management excluding past CEO and Directors for the financial year is as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CEO and other Key Management:				
- Salary and other remuneration	**29,978**	30,742	**27,187**	27,909
- Contribution to EPF	**4,183**	4,177	**3,780**	3,791
- Benefits-in-kind	**291**	309	**247**	266
	34,452	35,228	**31,214**	31,966
Non-executive Directors:				
- Fees payables	**2,412**	2,698	**1,670**	1,897
- Allowances	**642**	973	**466**	714
- Benefits-in-kind	**31**	31	**31**	31
	3,085	3,702	**2,167**	2,642
Included in the total key management personnel are:				
CEO and Directors' remuneration, excluding past non-executive Directors (Note 43)	**12,581**	14,305	**8,425**	9,983

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

(c) Compensation of key management personnel (cont'd)

Total value of remuneration and numbers of officers with variable remuneration for the financial year are as follows:

Group	2020 Number	2020 Unrestricted RM'000	2020 Number	2020 Deferred RM'000	2019 Number	2019 Unrestricted RM'000	2019 Number	2019 Deferred RM'000
Fixed remuneration								
Cash		25,711		–		25,709		–
		25,711		–		25,709		–
Variable remuneration								
Cash	22	6,652	19	5,174	19	8,663	19	4,558
		6,652		5,174		8,663		4,558
		32,363		5,174		34,372		4,558

Bank	2020 Number	2020 Unrestricted RM'000	2020 Number	2020 Deferred RM'000	2019 Number	2019 Unrestricted RM'000	2019 Number	2019 Deferred RM'000
Fixed remuneration								
Cash		22,456		–		22,463		–
		22,456		–		22,463		–
Variable remuneration								
Cash	20	6,103	17	4,822	17	7,938	17	4,207
		6,103		4,822		7,938		4,207
		28,559		4,822		30,401		4,207

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK 2020 RM'000	BANK 2019 RM'000
Outstanding credit exposures with connected parties	**11,378**	43,641
of which: Total credit exposure which is impaired or in default	**241**	8
Total credit exposures	**48,581,617**	46,311,419
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	**0.02%**	0.09%
- which is impaired or in default	**0.00%**	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

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

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

43. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for CEOs/Directors charged to the statements of income for the year is as follows:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Chief Executive Officers:				
- Salary and other remuneration	**6,411**	6,072	**4,169**	3,964
- Bonuses	**1,772**	3,175	**1,223**	2,449
- Contribution to EPF	**1,163**	1,201	**760**	815
- Benefits-in-kind	**150**	155	**106**	113
	9,496	10,603	**6,258**	7,341
Non-executive Directors:				
- Fees payables	**2,412**	2,698	**1,670**	1,897
- Allowances	**642**	973	**466**	714
- Benefits-in-kind	**31**	31	**31**	31
	3,085	3,702	**2,167**	2,642
	12,581	14,305	**8,425**	9,983
Past Non-executive Directors:				
- Salary and other remuneration, including meeting allowance	**101**	103	**60**	63
- Fees	**381**	357	**158**	143
- Benefits-in-kind	**–**	20	**–**	10
	482	480	**218**	216
	13,063	14,785	**8,643**	10,199
Total Directors' remuneration excluding benefits-in-kind	**12,882**	14,579	**8,506**	10,045

Notes:

(a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.

(b) The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was at RM92,000 and RM84,000 (2019: RM130,000 and RM118,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

GROUP 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payables RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officers:							
Joel Kornreich	4,169	1,223	760	–	–	106	6,258
Mahesh s/o Shri Pranlal Rupawalla	1,522	352	269	–	–	43	2,186
Rizal IL-Ehzan Bin Fadil Azim	720	197	134	–	–	1	1,052
	6,411	1,772	1,163	–	–	150	9,496
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	–	–	–	285	44	31	360
Lee Ah Boon	–	–	–	323	83	–	406
Datuk Wan Azhar Bin Wan Ahmad	–	–	–	405	101	–	506
Lee Boon Huat	–	–	–	205	59	–	264
Ho Hon Cheong	–	–	–	190	60	–	250
Thayaparan S Sangarapillai	–	–	–	205	62	–	267
Tan Chian Khong	–	–	–	190	57	–	247
Susan Yuen Su Min	–	–	–	165	41	–	206
Datin Ooi Swee Lian	–	–	–	90	24	–	114
Mazidah Binti Abdul Malik	–	–	–	125	47	–	172
Dato' Ahmad Hisham Bin Kamaruddin	–	–	–	90	24	–	114
Ibrahim Bin Hassan	–	–	–	125	38	–	163
Tuan Haji Rustam bin Mohd Idris	–	–	–	14	2	–	16
	–	–	–	2,412	642	31	3,085
Past Non-executive Directors:							
Dato' Yeoh Beow Tit	–	–	–	11	4	–	15
Hj Md Ali Bin Md Sarif	–	–	–	88	21	–	109
Kuah Hun Liang	–	–	–	231	51	–	282
Ou Shian Waei	–	–	–	51	25	–	76
	–	–	–	381	101	–	482
Total CEOs and Directors' remuneration	6,411	1,772	1,163	2,793	743	181	13,063

43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

GROUP 2019	**Salary and other remuneration RM'000**	**Bonuses RM'000**	**Contribution to EPF RM'000**	**Fees Payables RM'000**	**Allowances RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officers:							
Joel Kornreich	3,964	2,449	815	–	–	113	7,341
Mahesh s/o Shri Pranlal Rupawalla	1,464	390	251	–	–	42	2,147
Rizal IL-Ehzan Bin Fadil Azim	644	336	135	–	–	–	1,115
	6,072	3,175	1,201	–	–	155	10,603
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	–	–	–	285	53	31	369
Ou Shian Waei	–	–	–	205	70	–	275
Kuah Hun Liang	–	–	–	312	118	–	430
Lee Ah Boon	–	–	–	217	68	–	285
Datuk Wan Azhar Bin Wan Ahmad	–	–	–	405	124	–	529
Lee Boon Huat	–	–	–	205	91	–	296
Ho Hon Cheong	–	–	–	190	95	–	285
Thayaparan S Sangarapillai	–	–	–	179	68	–	247
Tan Chian Khong	–	–	–	155	64	–	219
Susan Yuen Su Min	–	–	–	55	9	–	64
Datin Ooi Swee Lian	–	–	–	37	15	–	52
Mazidah Binti Abdul Malik	–	–	–	137	71	–	208
Dato' Yeoh Beow Tit	–	–	–	90	30	–	120
Hj Md Ali Bin Md Sarif	–	–	–	90	28	–	118
Dato' Ahmad Hisham Bin Kamaruddin	–	–	–	11	2	–	13
Ibrahim Bin Hassan	–	–	–	125	67	–	192
	–	–	–	2,698	973	31	3,702
Past Non-executive Directors:							
Dato' Majid Bin Mohamad	–	–	–	67	18	10	95
Kung Beng Hong	–	–	–	290	85	10	385
	–	–	–	357	103	20	480
Total CEOs and Directors' remuneration	6,072	3,175	1,201	3,055	1,076	206	14,785

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

BANK 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payables RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Joel Kornreich	4,169	1,223	760	–	–	106	6,258
	4,169	1,223	760	–	–	106	6,258
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	–	–	–	285	44	31	360
Lee Ah Boon	–	–	–	205	62	–	267
Datuk Wan Azhar Bin Wan Ahmad	–	–	–	225	81	–	306
Lee Boon Huat	–	–	–	205	59	–	264
Ho Hon Cheong	–	–	–	190	60	–	250
Thayaparan S Sangarapillai	–	–	–	205	62	–	267
Tan Chian Khong	–	–	–	190	57	–	247
Susan Yuen Su Min	–	–	–	165	41	–	206
	–	–	–	1,670	466	31	2,167
Past Non-executive Director:							
Kuah Hun Liang	–	–	–	107	35	–	142
Ou Shian Waei	–	–	–	51	25	–	76
	–	–	–	158	60	–	218
Total CEO and Directors' remuneration	4,169	1,223	760	1,828	526	137	8,643

43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

BANK 2019	**Salary and other remuneration RM'000**	**Bonuses RM'000**	**Contribution to EPF RM'000**	**Fees Payables RM'000**	**Allowances RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officer:							
Joel Kornreich	3,964	2,449	815	–	–	113	7,341
	3,964	2,449	815	–	–	113	7,341
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	–	–	–	285	53	31	369
Ou Shian Waei	–	–	–	205	70	–	275
Kuah Hun Liang	–	–	–	193	91	–	284
Lee Ah Boon	–	–	–	205	68	–	273
Datuk Wan Azhar Bin Wan Ahmad	–	–	–	225	105	–	330
Lee Boon Huat	–	–	–	205	91	–	296
Ho Hon Cheong	–	–	–	190	95	–	285
Thayaparan S Sangarapillai	–	–	–	179	68	–	247
Tan Chian Khong	–	–	–	155	64	–	219
Susan Yuen Su Min	–	–	–	55	9	–	64
	–	–	–	1,897	714	31	2,642
Past Non-executive Directors:							
Kung Beng Hong	–	–	–	143	63	10	216
Total CEO and Directors' remuneration	3,964	2,449	815	2,040	777	154	10,199

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES

The Group engages in business activities which entail risk taking and types of risk involved include credit, market and liquidity, operational and technology, regulatory and compliance (including Shariah non-compliance), and strategic risks.

Risk management in the Group is governed by the various risk management frameworks which covers governance, appetite, strategy, policies and processes to manage risks. The objective of risk management is to ensure that the Group conducts business in a responsible manner and to achieve sustainable growth for the Group's balance sheet and capital.

The Group manages risk within clearly defined guidelines that are approved by the Board of Directors. In addition, the Board of Directors of the Group provides independent oversight to ensure that risk management policies are complied with, through a framework of established controls and reporting processes.

The guidelines and policies adopted by the Group to manage the main risks that arise in the conduct of its business activities are as follows:

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments.

This arises from loans/financing, advances, investment in securities, amongst others. The amount of credit exposure is represented by the carrying amount of loans/financing, advances and investment securities in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Risk Management Framework, in line with regulatory guidelines and best practices.

Also, credit risk arises from financial transactions with counterparties (including interbank money market activities, derivative instruments used for hedging and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statements of financial position. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 47 to the financial statements.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk

The following table presents the Group's and the Bank's maximum exposure to credit risk of on balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for expected credit losses, where appropriate.

For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were to be called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the credit facilities granted to customers.

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	**2,585,762**	1,549,624	**1,955,075**	1,316,885
Deposits and placements with banks and other financial institutions	**–**	500	**–**	–
Amounts due from clients and brokers	**51,165**	77,008	**–**	–
Financial assets at fair value through profit or loss (exclude equity securities)	**447,954**	42,923	**447,954**	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	**11,544,502**	9,478,454	**8,426,773**	6,852,858
Financial investments at amortised cost	**121,299**	235,720	**170,405**	311,930
Derivative financial assets	**436,910**	55,442	**436,910**	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	**43,009,077**	42,227,784	**32,095,529**	32,520,128
Statutory deposits	**949,049**	1,521,592	**700,355**	1,142,108
Other assets (exclude prepayment)	**230,127**	179,100	**237,409**	302,221
	59,375,845	55,368,147	**44,470,410**	42,544,495
Credit risk exposure: off-balance sheet				
Financial guarantees	**939,774**	721,500	**728,140**	518,066
Credit related commitments and contingencies	**12,548,134**	12,301,536	**9,932,693**	9,893,986
	13,487,908	13,023,036	**10,660,833**	10,412,052
Total maximum exposure	**72,863,753**	68,391,183	**55,131,243**	52,956,547

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged.

GROUP 2020	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	–	–	–	–	–	2,585,762
Amounts due from clients and brokers	–	–	–	–	–	–	51,165	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	–	–	–	–	–	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	6,307,593	3,122,011	1,567,617	313,311	233,970	–	–	11,544,502
Financial investments at amortised cost	–	100,795	–	–	–	–	20,504	121,299
Derivative financial assets	33,426	199,579	–	–	–	–	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	–	4,495,024	723,651	13,106,086	1,392,669	22,899,938	391,709	43,009,077
Statutory deposits	949,049	–	–	–	–	–	–	949,049
Other assets (exclude prepayment)	–	171	–	–	–	–	229,956	230,127
	9,880,460	8,360,904	2,291,268	13,419,397	1,626,639	22,899,938	897,239	59,375,845
Financial guarantees	–	189,061	41,638	585,200	108,592	5,921	9,362	939,774
Credit related commitments and contingencies	–	1,185,375	117,653	5,217,530	1,567,808	4,336,335	123,433	12,548,134
	–	1,374,436	159,291	5,802,730	1,676,400	4,342,256	132,795	13,487,908
Total credit risk	9,880,460	9,735,340	2,450,559	19,222,127	3,303,039	27,242,194	1,030,034	72,863,753

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

GROUP 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,040,926	508,698	–	–	–	–	–	1,549,624
Deposits and placements with banks and other financial institutions	–	500	–	–	–	–	–	500
Amounts due from clients and brokers	–	665	–	–	–	–	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	5,293,442	2,520,795	1,149,358	245,233	269,626	–	–	9,478,454
Financial investments at amortised cost	121,789	43,404	–	50,015	–	–	20,512	235,720
Derivative financial assets	–	35,438	–	–	–	–	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	–	4,435,835	688,241	12,844,254	1,391,351	22,425,539	442,564	42,227,784
Statutory deposits	1,521,592	–	–	–	–	–	–	1,521,592
Other assets (exclude prepayment)	–	299	–	–	–	–	178,801	179,100
	8,018,751	7,547,543	1,837,606	13,139,506	1,660,978	22,425,539	738,224	55,368,147
Financial guarantees	–	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
	141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036
Total credit risk	8,160,736	9,167,599	1,996,110	18,823,498	3,324,273	25,786,236	1,132,731	68,391,183

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

BANK 2020	Government and Central Bank RM'000	Financial Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	–	–	–	–	–	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	–	–	–	–	–	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,758,660	2,360,920	998,180	200,474	108,539	–	–	8,426,773
Financial investments at amortised cost	–	149,901	–	–	–	–	20,504	170,405
Derivative financial assets	33,426	199,579	–	–	–	–	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	–	3,488,626	550,438	10,003,972	1,078,147	16,702,924	271,422	32,095,529
Statutory deposits	700,355	–	–	–	–	–	–	700,355
Other assets (exclude prepayment)	–	18,989	–	–	–	–	218,420	237,409
	7,368,162	6,745,323	1,548,618	10,204,446	1,186,686	16,702,924	714,251	44,470,410
Financial guarantees	–	83,570	36,496	510,836	82,177	5,899	9,162	728,140
Credit related commitments and contingencies	–	905,733	105,348	3,916,916	1,414,135	3,479,637	110,924	9,932,693
	–	989,303	141,844	4,427,752	1,496,312	3,485,536	120,086	10,660,833
Total credit risk	7,368,162	7,734,626	1,690,462	14,632,198	2,682,998	20,188,460	834,337	55,131,243

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

BANK 2019	Government and Central Bank RM'000	Financial Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	692,477	624,408	–	–	–	–	–	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,705,868	2,098,405	743,892	173,009	131,684	–	–	6,852,858
Financial investments at amortised cost	101,446	164,961	–	25,011	–	–	20,512	311,930
Derivative financial assets	–	35,438	–	–	–	–	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	–	3,467,388	511,905	9,975,830	1,189,899	17,079,817	295,289	32,520,128
Statutory deposits	1,142,108	–	–	–	–	–	–	1,142,108
Other assets (exclude prepayment)	–	133,856	–	–	–	–	168,365	302,221
	5,682,901	6,526,365	1,255,804	10,173,854	1,321,584	17,079,817	504,170	42,544,495
Financial guarantees	–	77,195	27,895	383,755	15,081	4,544	9,596	518,066
Credit related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	9,893,986
	141,985	1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	10,412,052
Total credit risk	5,824,886	7,888,729	1,404,433	14,572,553	2,785,660	19,620,374	859,912	52,956,547

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- Where property is provided as collateral, legal charge over the title;
- For hire purchase, ownership rights over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables, or deposits.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gross loans, advances and financing	**43,668,345**	42,730,447	**32,554,772**	32,883,217
Less: Allowance for expected credit losses	**(659,268)**	(502,663)	**(459,243)**	(363,089)
Net loans, advances and financing	**43,009,077**	42,227,784	**32,095,529**	32,520,128
Percentage of collateral held for loans, advances and financing	**71.6%**	70.9%	**72.2%**	71.8%

(iv) Credit risk measurement

The Group and the Bank adopt the following judgements and assumptions on measurement of expected credit loss ("ECL"):

(a) Definition of significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following events are taken into consideration during the assessment:

- Contractual payment is in arrears for 30 days or more;
- Significant downgrade of credit rating or internal rating;
- Modified exposure placed under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") status;
- Exposure being monitored under watchlist; or
- Restructured and rescheduled exposure with increase in credit risk.

(b) Definition of credit impaired financial assets

An exposure is classified as credit impaired when one or more events that have a detrimental impact to the estimated future cash flows of that financial assets have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Quantitative criteria:

A financial asset is classified as credit impaired, when the counterparty fails to make contractual payment.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(b) Definition of credit impaired financial assets (cont'd)

Evidence that a financial asset is credit impaired includes observable data about the following events:

Qualitative criteria:

- Significant financial difficulty of the issuer or the borrower;
- Breach of contract, such as a default of past due event;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Indications that borrower will enter into bankruptcy/winding up or other financial restructuring;
- Disappearance of an active market for that financial asset; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(c) Measurement of ECL

ECL is measured by three components, i.e. exposure at default, probability of default and loss given default.

Exposure at default ("EAD")

EAD for non-retail portfolio is calculated based upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only interest accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different interest accrual methods, amortisation types and repayment methods, the approaches employed to calculate EAD varies accordingly.

EAD for retail portfolio is calculated based upon either:

i) Simple equation based calculation approach - where the outstanding balance follows a predictable trend across the amount and tenure.

ii) Utilisation curve model. These curves provide a view of percent drawn down at the point of default, expressed as a percentage of the customer credit limit at observation.

iii) Mechanical equation based approach - which was utilised to forecast monthly default balances as per an amortisation profile and adjusted for different paths to default using an adjustment factor.

Probability at default ("PD")

A PD is assigned to each risk measure and represents a percentage of the likelihood of default.

For non-retail portfolio, the PD is measured from the internal or external rating of the borrower or issuer to determine the level of default risk.

For retail portfolio, a signature curve approach forecasted the lifetime PD and PD at any given time within the lifetime horizon. This is based upon historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(c) Measurement of ECL (cont'd)

Loss given default ("LGD")

This is on a time series of probability weighted loss rate relative to the monthly exposure at default where the probabilities and loss rates are estimated by key risk driver segments such as exposure migration status (e.g. loss given cure & loss given charge off), collateral type, defaulted exposure relative to original exposure amount and months in default.

(d) Forward-looking information

Three economic scenarios using different probability weightage are applied to the ECL:

- Base Case – based upon current economic outlook or forecast.
- Positive Case – based upon a projected optimistic or positive economic outlook or forecast.
- Negative Case – based upon a projected pessimistic or negative economic outlook or forecast.

The negative case has been assigned with a higher weightage for the ECL as compared to the positive case.

Projection of economic scenario and the probability of each scenario happening in future shall be carried out and shall contain all macroeconomic variables ("MEV") which are applied in the ECL models as they are found to have significant correlation to increase of credit risk via the modelling exercise.

For forward looking estimates, analysis was carried out with the recent development of the COVID-19 pandemic and economic slow down to determine how the estimates were affected by macroeconomic trends. Factors such as GDP growth rate, unemployment rate, consumer price index, consumption credit and producer price index were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect the macroeconomic trends.

The forward looking estimates was adjusted as below to reflect the impact on COVID-19 pandemic and economic slowdown.

	Weighted Average Forecast		
MEV	**2021**	**2020**	**2019**
	%	**%**	**%**
GDP Growth Rate	+1.00	**-2.50**	+2.80
Producer Price Index	+3.50	**-0.96**	-0.20
Consumer Price Index	+2.10	**+0.80**	+1.20
Credit Consumption	+1.70	**+1.40**	+1.70
Unemployment Rates	+4.10	**+3.90**	+3.90
House Price Index	+3.10	**+0.30**	+1.50

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(e) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

(f) Modification of financial assets

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans/financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms.

When the modification is not substantial and so does not result in derecognition of the original loans, the Group and the Bank recalculate the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statements of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective interest/profit rate. The Group and the Bank monitor the subsequent performance of modified assets. The risk of default of such loans after modification is assessed and compared with the risk under the original terms at initial recognition.

The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (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 six consecutive months or more.

If the terms are substantially different from the original terms, the Group and the Bank derecognised the original financial asset and recognised a new asset and recalculates a new effective interest/profit rate for asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including 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 debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognised in statements of income as gain or loss on derecognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality

Upon the adoption of MFRS 9, the Group and the Bank assess the credit quality for loans, advances and financing and credit related commitments and contingencies by the below categories:

Credit Quality	Credit Grading		Definition
	Scorecard	Customer Rating	
Low	Low risk score	1 - 12 (AAA to BB)	Borrowers with good capacity to meet financial commitments.
Medium	Medium risk score	13 -16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CC+ to CC-)	Borrower which is in an uncertain capacity to meet financial commitments but have not been impaired.
Unrated	Unrated	Unrated	Borrower which is unrated.
Credit Impaired	Credit Impaired	Credit Impaired	Defaulted, or judgmentally impaired due to lack of capacity to fulfil financial commitments.

Amounts due from clients and brokers and other assets are classified based on days-past-due (DPD) under simplified model approach.

Other financial assets are categorised in the following manner:

Credit Quality	Credit Rating	Definition
Investment graded	AAA to BBB-	Issuer with low risk of defaulting principal or interest payment.
Non-investment graded	Lower than BBB-	Issuer with medium or high risk of defaulting principal or interest payment.
Sovereign/Government backed	-	Issued or guaranteed by Malaysian government.
Unrated	Unrated	Issuer where rating is unavailable.
Credit impaired	Credit impaired	Defaulted.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses of the financial assets:

GROUP 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	424,930	–	–	424,930
Non-investment graded	69	–	–	69
Sovereign/Government backed	2,152,463	–	–	2,152,463
Unrated	8,301	–	–	8,301
Gross carrying amount	2,585,763	–	–	2,585,763
Expected credit losses	(1)	–	–	(1)
Net carrying amount	2,585,762	–	–	2,585,762
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	3,302,191	64,336	–	3,366,527
Sovereign/Government backed	8,177,975	–	–	8,177,975
Gross carrying amount	11,480,166	64,336	–	11,544,502
Expected credit losses (Note a)	(138)	(208)	–	(346)
Financial investments at amortised cost				
Unrated	121,591	–	–	121,591
Credit impaired	–	–	49,090	49,090
Gross carrying amount	121,591	–	49,090	170,681
Expected credit losses	(308)	–	(49,074)	(49,382)
Net carrying amount	121,283	–	16	121,299
Loans, advances and financing				
Low	26,248,690	462,144	–	26,710,834
Medium	10,085,760	2,127,946	–	12,213,706
High	1,319,047	1,720,295	–	3,039,342
Unrated	515,805	317,318	–	833,123
Credit impaired	–	–	871,340	871,340
Gross carrying amount	38,169,302	4,627,703	871,340	43,668,345
Expected credit losses	(96,553)	(269,287)	(293,428)	(659,268)
Net carrying amount	38,072,749	4,358,416	577,912	43,009,077

Note a: The ECL is recognised in reserves in other comprehensive income instead of in the statements of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

GROUP 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Statutory deposit				
Sovereign/Government backed	949,049	–	–	949,049
Gross carrying amount	949,049	–	–	949,049
Expected credit losses	–	–	–	–
Net carrying amount	949,049	–	–	949,049
Credit related commitments and contingencies				
Low	9,578,284	234,297	–	9,812,581
Medium	2,411,888	481,134	–	2,893,022
High	172,084	44,313	–	216,397
Unrated	553,903	3,176	–	557,079
Credit impaired	–	–	8,829	8,829
Gross carrying amount	12,716,159	762,920	8,829	13,487,908
Expected credit losses	(8,582)	(10,996)	(4,761)	(24,339)

Simplified Approach	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
Amounts due from clients and brokers				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	–	–	(3)	(3)
Net carrying amount	50,710	455	–	51,165

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	230,127	38,212	268,339
Expected credit losses	–	(38,212)	(38,212)
Net carrying amount	230,127	–	230,127

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	508,730	–	–	508,730
Non-investment graded	6	–	–	6
Sovereign/Government backed	1,040,926	–	–	1,040,926
Gross carrying amount	1,549,662	–	–	1,549,662
Expected credit losses	(38)	–	–	(38)
Net carrying amount	1,549,624	–	–	1,549,624
Deposits and placements with banks and other financial institutions				
Investment graded	500	–	–	500
Gross carrying amount	500	–	–	500
Expected credit losses	–	–	–	–
Net carrying amount	500	–	–	500
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,708,219	62,478	–	2,770,697
Sovereign/Government backed	6,698,348	–	–	6,698,348
Credit impaired	–	–	9,409	9,409
Gross carrying amount	9,406,567	62,478	9,409	9,478,454
Expected credit losses (Note a)	(120)	(444)	(9,409)	(9,973)
Financial investments at amortised cost				
Sovereign/Government backed	121,790	–	–	121,790
Unrated	59,586	50,554	–	110,140
Credit impaired	–	–	18,565	18,565
Gross carrying amount	181,376	50,554	18,565	250,495
Expected credit losses	(42)	(540)	(14,193)	(14,775)
Net carrying amount	181,334	50,014	4,372	235,720
Loans, advances and financing				
Low	26,899,181	650,501	–	27,549,682
Medium	7,396,792	2,855,264	–	10,252,056
High	1,836,349	1,681,048	–	3,517,397
Unrated	510,925	423,785	–	934,710
Credit impaired	–	–	476,602	476,602
Gross carrying amount	36,643,247	5,610,598	476,602	42,730,447
Expected credit losses	(72,679)	(212,519)	(217,465)	(502,663)
Net carrying amount	36,570,568	5,398,079	259,137	42,227,784

Note a: The ECL is recognised in reserves in other comprehensive income instead of in the statements of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Statutory deposit				
Sovereign/Government backed	1,521,492	–	–	1,521,492
Unrated	100	–	–	100
Gross carrying amount	1,521,592	–	–	1,521,592
Expected credit losses	–	–	–	–
Net carrying amount	1,521,592	–	–	1,521,592
Credit related commitments and contingencies				
Low	9,031,633	268,268	–	9,299,901
Medium	1,583,967	923,861	–	2,507,828
High	356,419	83,720	–	440,139
Unrated	757,265	1,443	–	758,708
Credit impaired	–	–	16,460	16,460
Gross carrying amount	11,729,284	1,277,292	16,460	13,023,036
Expected credit losses	(6,833)	(16,664)	(9,107)	(32,604)

Simplified Approach	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
Amounts due from clients and brokers				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	–	–	(839)	(839)
Net carrying amount	76,941	31	36	77,008

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	179,100	34,385	213,485
Expected credit losses	–	(34,385)	(34,385)
Net carrying amount	179,100	–	179,100

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2020	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds (exclude cash in hand)				
Investment graded	**517,216**	–	–	**517,216**
Non-investment graded	**69**	–	–	**69**
Sovereign/Government backed	**1,437,791**	–	–	**1,437,791**
Gross carrying amount	**1,955,076**	–	–	**1,955,076**
Expected credit losses	**(1)**	–	–	**(1)**
Net carrying amount	**1,955,075**	–	–	**1,955,075**
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	**2,553,884**	**48,955**	–	**2,602,839**
Sovereign/Government backed	**5,823,934**	–	–	**5,823,934**
Gross carrying amount	**8,377,818**	**48,955**	–	**8,426,773**
Expected credit losses (Note a)	**(71)**	**(151)**	–	**(222)**
Financial investments at amortised cost				
Investment graded	**130,039**	–	–	**130,039**
Unrated	**40,738**	–	–	**40,738**
Credit impaired	–	–	**24,678**	**24,678**
Gross carrying amount	**170,777**	–	**24,678**	**195,455**
Expected credit losses	**(372)**	–	**(24,678)**	**(25,050)**
Net carrying amount	**170,405**	–	–	**170,405**

Note a: The ECL is recognised in reserves in other comprehensive income instead of in the statements of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	20,372,711	337,604	–	20,710,315
Medium	6,807,069	1,704,632	–	8,511,701
High	947,695	1,287,828	–	2,235,523
Unrated	282,962	175,928	–	458,890
Credit impaired	–	–	638,343	638,343
Gross carrying amount	28,410,437	3,505,992	638,343	32,554,772
Expected credit losses	(63,677)	(177,196)	(218,370)	(459,243)
Net carrying amount	28,346,760	3,328,796	419,973	32,095,529
Statutory deposit				
Sovereign/Government backed	700,355	–	–	700,355
Gross carrying amount	700,355	–	–	700,355
Expected credit losses	–	–	–	–
Net carrying amount	700,355	–	–	700,355
Credit related commitments and contingencies				
Low	7,786,592	219,121	–	8,005,713
Medium	1,789,589	343,350	–	2,132,939
High	129,777	40,379	–	170,156
Unrated	341,529	2,676	–	344,205
Credit impaired	–	–	7,820	7,820
Gross carrying amount	10,047,487	605,526	7,820	10,660,833
Expected credit losses	(7,471)	(7,555)	(4,761)	(19,787)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	237,409	33,143	270,552
Expected credit losses	–	(33,143)	(33,143)
Net carrying amount	237,409	–	237,409

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	624,441	–	–	624,441
Non-investment graded	6	–	–	6
Sovereign/Government backed	692,476	–	–	692,476
Gross carrying amount	1,316,923	–	–	1,316,923
Expected credit losses	(38)	–	–	(38)
Net carrying amount	1,316,885	–	–	1,316,885
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,428,480	47,617	–	2,476,097
Sovereign/Government backed	4,376,761	–	–	4,376,761
Gross carrying amount	6,805,241	47,617	–	6,852,858
Expected credit losses (Note a)	(55)	(327)	–	(382)
Financial investments at amortised cost				
Investment graded	130,058	–	–	130,058
Sovereign/Government backed	101,446	–	–	101,446
Unrated	55,745	25,281	–	81,026
Credit impaired	–	–	1,294	1,294
Gross carrying amount	287,249	25,281	1,294	313,824
Expected credit losses	(330)	(270)	(1,294)	(1,894)
Net carrying amount	286,919	25,011	–	311,930

Note a: The ECL is recognised in reserves in other comprehensive income instead of in the statements of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	21,420,465	500,842	–	21,921,307
Medium	5,336,079	2,242,286	–	7,578,365
High	1,184,084	1,308,235	–	2,492,319
Unrated	390,699	131,403	–	522,102
Credit impaired	–	–	369,124	369,124
Gross carrying amount	28,331,327	4,182,766	369,124	32,883,217
Expected credit losses	(49,135)	(142,622)	(171,332)	(363,089)
Net carrying amount	28,282,192	4,040,144	197,792	32,520,128
Statutory deposit				
Sovereign/Government backed	1,142,008	–	–	1,142,008
Unrated	100	–	–	100
Gross carrying amount	1,142,108	–	–	1,142,108
Expected credit losses	–	–	–	–
Net carrying amount	1,142,108	–	–	1,142,108
Credit related commitments and contingencies				
Low	7,457,146	224,376	–	7,681,522
Medium	1,222,599	704,447	–	1,927,046
High	218,882	71,135	–	290,017
Unrated	497,553	1,433	–	498,986
Credit impaired	–	–	14,481	14,481
Gross carrying amount	9,396,180	1,001,391	14,481	10,412,052
Expected credit losses	(6,097)	(13,483)	(9,002)	(28,582)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	302,221	29,604	331,825
Expected credit losses	–	(29,604)	(29,604)
Net carrying amount	302,221	–	302,221

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(vi) Sensitivity test

The Group and the Bank have performed expected credit losses sensitivity assessment on financial assets based on the changes in key variables as below while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the expected credit losses of the Group and the Bank.

The table below outlines the effect of the changes in major key variables used on expected credit losses while other variables remain constant:

GROUP **Measurement variables**	**MEV Change (%)**	**+** **RM'000**	**–** **RM'000**
2020			
Retail			
House price index	**9.8**	**(17,003)**	**30,744**
Consumption credit	**114.1**	**8,714**	**(8,614)**
Consumer price index	**4.2**	**5,346**	**(5,570)**
Unemployment rate	**7.5**	**4,238**	**(4,296)**
Non-retail	**Percentage Point Change (%)**		
GDP growth	**2.7**	**(6,669)**	**23,628**
Measurement variables	**MEV Change (%)**	**RM'000**	**RM'000**
2019			
Retail			
Consumption credit	3.3	6,382	(6,313)
House price index	7.1	(4,551)	6,241
Unemployment rate	0.2	3,564	(3,588)
Non-retail			
3 months KLIBOR	0.4	16,772	(9,963)

BANK **Measurement variables**	**MEV Change (%)**	**+** **RM'000**	**–** **RM'000**
2020			
Retail			
House price index	**9.8**	**(11,414)**	**21,370**
Consumption credit	**114.1**	**6,955**	**(6,910)**
Consumer price index	**4.2**	**2,385**	**(2,592)**
Unemployment rate	**7.5**	**2,986**	**(3,018)**
Non-retail	**Percentage Point Change (%)**		
GDP growth	**2.7**	**(5,166)**	**18,212**
Measurement variables	**MEV Change (%)**	**RM'000**	**RM'000**
2019			
Retail			
Consumption credit	3.3	5,394	(5,353)
House price index	7.1	(3,582)	4,904
Unemployment rate	0.2	2,565	(2,582)
Non-retail			
3 months KLIBOR	0.4	13,936	(8,278)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and their implied volatilities.

The Group has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits sensitivity limits and valuation via daily mark-to-market, where available.

The Group is also susceptible to exposure to market risk arising from changes in prices of the shares quoted on Bursa Malaysia, which will impact on the Group's amount due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

(i) Interest rate/profit rate risk

As a subset of market risk, interest/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest/profit rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit rate sensitivity analysis. The sensitivity in net interest/profit income from interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Management Committee ("GALCO") will also deliberate on revising the Group's and the Bank's lending/financing and deposit rates in response to changes in the benchmark rates set by the central bank.

The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to Management.

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the outcomes of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest/profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2020	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	2,414,521	–	–	–	–	–	704,693	–	3,119,214
Amounts due from clients and brokers	2,926	–	–	–	–	–	48,239	–	51,165
Financial assets at fair value through profit or loss	–	–	–	–	–	–	202,160	447,954	650,114
Financial investments at fair value through other comprehensive income	169,965	525,390	315,414	458,794	5,807,031	4,152,754	115,159	–	11,544,507
Financial investments at amortised cost	–	–	100,000	–	20,000	–	1,299	–	121,299
Derivative financial assets	–	–	–	–	–	–	–	436,910	436,910
Loans, advances and financing	37,468,588	1,557,664	542,875	116,624	1,768,321	1,358,748	297,187*	–	43,110,007
Other financial assets**	–	–	–	–	–	–	1,179,176	–	1,179,176
Total financial assets	40,056,000	2,083,054	958,289	575,418	7,595,352	5,511,502	2,547,913	884,864	60,212,392

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

	Non-trading book								
GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	15,720,132	5,474,085	6,243,931	7,801,674	12,717,934	–	468,096	–	48,425,852
Deposits and placements of banks and other financial institutions	874,477	219,828	41,315	97,015	307,225	1,350	2,436	–	1,543,646
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	364,651	3,320	–	427,085
Amounts due to clients and brokers	–	–	–	–	–	–	22,292	–	22,292
Obligation on securities sold under repurchase agreements	29,753	339,418	–	–	–	–	298	–	369,469
Derivative financial liabilities	–	–	–	–	–	–	–	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	–	–	–	150,012	650,032	–	651	–	800,695
Subordinated obligations	–	–	–	1,199,829	289,844	–	30,964	–	1,520,637
Lease liabilties	3,073	5,019	7,422	12,524	76,309	25,876	–	–	130,223
Other financial liabilities	61,696	–	–	224,860	141,324	–	832,686	–	1,260,566
Total financial liabilities	16,693,303	6,038,352	6,305,809	9,518,558	14,191,823	391,877	1,360,743	348,877	54,849,342
On-balance sheet interest sensitivity gap	23,362,697	(3,955,298)	(5,347,520)	(8,943,140)	(6,596,471)	5,119,625	1,187,170	535,987	5,363,050

Note:

* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2019	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,208,638	–	–	–	–	–	596,096	–	1,804,734
Deposits and placements with banks and other financial institutions	500	–	–	–	–	–	–	–	500
Amounts due from clients and brokers	3,338	–	–	–	–	–	73,670	–	77,008
Financial assets at fair value through profit or loss	–	–	–	–	–	–	187,517	42,923	230,440
Financial investments at fair value through other comprehensive income	135,035	190,178	364,225	502,664	5,479,663	2,688,290	118,407	–	9,478,462
Financial investments at amortised cost	34,867	3,790	5,000	119,816	65,000	–	7,247	–	235,720
Derivative financial assets	–	–	–	–	–	–	–	55,442	55,442
Loans, advances and financing	35,649,421	1,557,935	701,796	1,190,989	1,899,093	1,347,128	(26,061)*	–	42,320,301
Other financial assets**	–	–	–	–	–	–	1,700,692	–	1,700,692
Total financial assets	37,031,799	1,751,903	1,071,021	1,813,469	7,443,756	4,035,418	2,657,568	98,365	55,903,299

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2019	← Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000 →	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	15,031,482	5,304,178	4,449,081	8,687,077	11,152,336	–	393,478	–	45,017,632
Deposits and placements of banks and other financial institutions	274,173	22,342	17,922	67,071	474,929	–	2,271	–	858,708
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	–	778,423
Amounts due to clients and brokers	–	–	–	–	–	–	51,164	–	51,164
Derivative financial liabilities	–	–	–	–	–	–	–	57,545	57,545
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	800,013	–	656	–	800,669
Subordinated obligations	–	–	–	–	1,449,468	–	30,754	–	1,480,222
Other financial liabilities	77,313	36,410	695	–	382,720	54,670	1,059,226	–	1,611,034
Total financial liabilities	15,388,830	5,373,824	4,492,940	8,784,523	14,834,313	180,772	1,542,650	57,545	50,655,397
On-balance sheet interest sensitivity gap	21,642,969	(3,621,921)	(3,421,919)	(6,971,054)	(7,390,557)	3,854,646	1,114,918	40,820	5,247,902

Note:

* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2020	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,797,165	–	–	–	–	–	691,362	–	2,488,527
Financial assets at fair value through profit or loss	–	–	–	–	–	–	137,768	447,954	585,722
Financial investments at fair value through other comprehensive income	433,454	595,800	220,456	226,516	3,999,441	2,870,434	80,677	–	8,426,778
Financial investments at amortised cost	–	–	20,000	–	150,000	–	405	–	170,405
Derivative financial assets	–	–	–	–	–	–	–	436,910	436,910
Loans, advances and financing	28,594,904	1,083,667	425,360	88,841	1,090,127	648,386	276,260*	–	32,207,545
Other financial assets**	–	–	–	–	–	–	937,764	–	937,764
Total financial assets	30,825,523	1,679,467	665,816	315,357	5,239,568	3,518,820	2,124,236	884,864	45,253,651

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2020	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	12,081,242	3,764,614	5,013,733	5,834,048	9,750,122	–	259,230	–	36,702,989
Deposits and placements of banks and other financial institutions	469,096	14,357	26,245	66,022	155,229	1,350	1,265	–	733,564
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	364,651	3,320	–	427,085
Obligation on securities sold under repurchase agreements	29,753	191,435	–	–	–	–	199	–	221,387
Derivative financial liabilities	–	–	–	–	–	–	–	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	300,015	–	38	–	300,053
Subordinated obligations	–	–	–	1,199,719	249,584	–	30,951	–	1,480,254
Lease liabilities	3,068	5,008	7,407	12,497	76,292	25,878	–	–	130,150
Other financial liabilities	61,698	–	–	224,860	141,324	–	710,019	–	1,137,901
Total financial liabilities	12,649,029	3,975,416	5,060,526	7,369,790	10,681,721	391,879	1,005,022	348,877	41,482,260
On-balance sheet interest sensitivity gap	18,176,494	(2,295,949)	(4,394,710)	(7,054,433)	(5,442,153)	3,126,941	1,119,214	535,987	3,771,391

Note:

* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2019	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,004,644	–	–	–	–	–	567,351	–	1,571,995
Financial assets at fair value through profit or loss	–	–	–	–	–	–	126,733	42,923	169,656
Financial investments at fair value through other comprehensive income	25,009	175,169	309,189	488,643	4,377,370	1,403,500	73,986	–	6,852,866
Financial investments at amortised cost	34,868	–	2,500	99,770	172,500	–	2,292	–	311,930
Derivative financial assets	–	–	–	–	–	–	–	55,442	55,442
Loans, advances and financing	27,900,278	1,184,947	523,683	1,162,718	1,159,138	686,178	6,034*	–	32,622,976
Other financial assets**	–	–	–	–	–	–	1,444,329	–	1,444,329
Total financial assets	28,964,799	1,360,116	835,372	1,751,131	5,709,008	2,089,678	2,220,725	98,365	43,029,194

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2019	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	11,467,121	4,114,342	3,408,976	6,957,497	8,801,724	–	233,202	–	34,982,862
Deposits and placements of banks and other financial institutions	3,223	15,674	8,151	45,671	270,889	–	1,227	–	344,835
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	–	778,423
Derivative financial liabilities	–	–	–	–	–	–	–	57,545	57,545
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	300,000	–	76	–	300,076
Subordinated obligations	–	–	–	–	1,448,826	–	30,754	–	1,479,580
Other financial liabilities	77,313	36,410	695	–	382,720	54,670	902,571	–	1,454,379
Total financial liabilities	11,553,519	4,177,320	3,443,064	7,033,543	11,779,006	180,772	1,172,931	57,545	39,397,700
On-balance sheet interest sensitivity gap	17,411,280	(2,817,204)	(2,607,692)	(5,282,412)	(6,069,998)	1,908,906	1,047,794	40,820	3,631,494

Note:

* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group and the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management and Board.

The following table summarises the assets, liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US Dollars, Pound Sterling, Euro Dollars, Australian Dollars and Singapore Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Chinese Yuan and New Zealand Dollars. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group and the Bank.

GROUP/BANK 2020	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	418,318	1,208	–	1,049	175	4,248	424,998
Loans, advances and financing	410,622	387	15,942	623	1,226	397	429,197
Other financial assets	43,377	15	–	2	–	1	43,395
Total financial assets	872,317	1,610	15,942	1,674	1,401	4,646	897,590
Liabilities							
Deposits from customers	595,379	36,789	31,522	193,151	69,561	19,576	945,978
Deposits and placements of banks and other financial institutions	5,112	5	6,210	–	7,214	5,272	23,813
Financial liabilities designated at fair value through profit or loss	5,609	–	–	–	–	–	5,609
Other financial liabilities	22,703	5,654	151	37,046	4,557	1,303	71,414
Total financial liabilities	628,803	42,448	37,883	230,197	81,332	26,151	1,046,814
On-balance sheet open position	243,514	(40,838)	(21,941)	(228,523)	(79,931)	(21,505)	(149,224)
Off-balance sheet open position	(301,657)	41,181	30,885	217,945	53,228	28,022	69,604
Net open position	(58,143)	343	8,944	(10,578)	(26,703)	6,517	(79,620)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

GROUP/BANK 2019	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	290,207	908	–	1,170	2,585	9,180	304,050
Loans, advances and financing	287,023	94	26,098	–	1,204	306	314,725
Other financial assets	23,246	4	4	220	2	(7)	23,469
Total financial assets	600,476	1,006	26,102	1,390	3,791	9,479	642,244
Liabilities							
Deposits from customers	389,749	36,100	36,159	227,204	44,474	22,654	756,340
Deposits and placements of banks and other financial institutions	–	–	289	–	–	1,003	1,292
Other financial liabilities	16,336	1,649	2,039	40,830	63	2,306	63,223
Total financial liabilities	406,085	37,749	38,487	268,034	44,537	25,963	820,855
On-balance sheet open position	194,391	(36,743)	(12,385)	(266,644)	(40,746)	(16,484)	(178,611)
Off-balance sheet open position	(278,254)	34,755	10,360	252,142	18,716	28,059	65,778
Net open position	(83,863)	(1,988)	(2,025)	(14,502)	(22,030)	11,575	(112,833)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iii) Value at risk ("VaR")

Value-at-risk ("VaR") reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group and the Bank, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the hypothetical profit and loss over the corresponding period.

The table below sets out a summary of the Group's and the Bank's VaR profile by financial instrument types for the Trading Portfolio:

GROUP 2020	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
FX related derivatives	**(616)**	**(517)**	**(156)**	**(966)**
Government securities	**(48,892)**	**(16,395)**	**(9,530)**	**(48,892)**
Private debt securities	**(17,520)**	**(6,458)**	**(4,270)**	**(17,520)**
BANK **2020**				
FX related derivatives	**(616)**	**(517)**	**(156)**	**(966)**
Government securities	**(34,566)**	**(10,432)**	**(5,470)**	**(34,566)**
Private debt securities	**(11,635)**	**(4,205)**	**(2,828)**	**(11,635)**
GROUP **2019**				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(10,364)	(8,148)	(6,705)	(10,364)
Private debt securities	(4,406)	(5,141)	(3,873)	(6,648)
BANK **2019**				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(5,826)	(4,467)	(3,114)	(5,826)
Private debt securities	(4,406)	(4,935)	(3,873)	(6,648)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iv) Interest rate risk/rate of return risk in the banking book

The following tables present the Group's and the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	2020 GROUP		**2020 BANK**	
	– 100 bps	**+ 100 bps**	**– 100 bps**	**+ 100 bps**
	Increase/(Decrease)		**Increase/(Decrease)**	
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on net profit after tax	**(92,381)**	**92,381**	**(74,680)**	**74,680**
Impact on equity	**341,414**	**(320,278)**	**234,503**	**(232,620)**

	2019 GROUP		**2019 BANK**	
	– 100 bps	**+ 100 bps**	**– 100 bps**	**+ 100 bps**
	Increase/(Decrease)		**Increase/(Decrease)**	
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on net profit after tax	(90,574)	90,574	(74,614)	74,614
Impact on equity	267,440	(237,670)	161,525	(146,837)

Note:

(a) The foreign currency impact on net profit is considered insignificant as the individual exposure is less than 5% of the Banking Book's assets/liabilities.

(b) For every incremental increase or decrease by 25bps, the impact on Net Profit After Tax for the Group and the Bank increased or decreased by RM23,095,000 and RM18,670,000.

(c) For every incremental increase or decrease by 25bps, the impact on equity for the Group and the Bank decreased by RM80,752,000 and RM61,250,000 or increased by RM78,967,000 and RM55,438,000.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(v) Other risk measures

(i) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Group performs stress testing regularly to measure and alert the Board and Management on the effects of potential political, economic or other disruptive events on our exposures. The Group's stress testing process is governed by the Stress Testing Framework as approved by the Board. Stress testing is conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to the Board and Management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(ii) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group and the Bank perform sensitivity analysis such as parallel shifts of interest/profit rates on its exposures, primarily on the banking and trading book positions.

(c) Liquidity Risk

Liquidity risk is the inability of the Group and the Bank to meet financial commitments when due.

The Group's and the Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group and the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	3,119,214	–	–	–	–	3,119,214
Amounts due from clients and brokers	51,165	–	–	–	–	51,165
Financial assets at FVTPL	169	2,474	1,222	2	646,247	650,114
Financial investments at FVOCI	208,714	573,545	343,664	458,794	9,959,790	11,544,507
Financial investments at amortised cost	531	–	1,060	16	119,692	121,299
Loans, advances and financing	8,526,034	2,177,876	776,031	229,820	31,400,246	43,110,007
Other financial and non-financial assets	291,837	65,203	76,081	118,025	1,828,008	2,379,154
Total assets	12,197,664	2,819,098	1,198,058	806,657	43,953,983	60,975,460
Liabilities						
Deposits from customers	27,647,533	5,883,992	6,287,684	7,744,175	862,468	48,425,852
Deposits and placements of banks and other financial institutions	874,920	220,040	43,096	97,015	308,575	1,543,646
Financial liabilities designated at fair value through profit or loss	52	–	24	253	426,756	427,085
Amounts due to clients and brokers	22,292	–	–	–	–	22,292
Obligation on securities sold under repurchase agreements	29,781	339,688	–	–	–	369,469
Recourse obligations on loans and financing sold to Cagamas	–	651	–	150,012	650,032	800,695
Subordinated obligations	21,976	8,600	388	1,200,000	289,673	1,520,637
Lease liabilities	3,073	5,018	7,422	12,524	102,186	130,223
Other financial and non-financial liabilities	842,141	46,970	41,149	357,082	459,225	1,746,567
Total liabilities	29,441,768	6,504,959	6,379,763	9,561,061	3,098,915	54,986,466
Net maturity mismatch	(17,244,104)	(3,685,861)	(5,181,705)	(8,754,404)	40,855,068	5,988,994

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,804,734	–	–	–	–	1,804,734
Deposits and placements with banks and other financial institutions	500	–	–	–	–	500
Amounts due from clients and brokers	77,008	–	–	–	–	77,008
Financial assets at FVTPL	379	–	118	–	229,943	230,440
Financial investments at FVOCI	180,003	230,448	387,975	502,664	8,177,372	9,478,462
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,197	235,720
Loans, advances and financing	8,681,232	2,125,500	883,666	136,537	30,493,366	42,320,301
Other financial and non-financial assets	192,956	19,453	5,812	2,791	2,152,674	2,373,686
Total assets	10,973,976	2,379,950	1,282,565	761,808	41,122,552	56,520,851
Liabilities						
Deposits from customers	25,836,029	5,376,065	4,509,248	8,733,406	562,884	45,017,632
Deposits and placements of banks and other financial institutions	278,226	22,342	17,922	66,661	473,557	858,708
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Amounts due to clients and brokers	51,164	–	–	–	–	51,164
Recourse obligations on loans and financing sold to Cagamas	–	656	–	–	800,013	800,669
Subordinated obligations	–	–	–	–	1,480,222	1,480,222
Other financial and non-financial liabilities	941,843	13,381	17,255	6,486	822,226	1,801,191
Total liabilities	27,116,708	5,430,414	4,578,786	8,836,197	4,825,904	50,788,009
Net maturity mismatch	(16,142,732)	(3,050,464)	(3,296,221)	(8,074,389)	36,296,648	5,732,842

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

BANK 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	2,488,527	–	–	–	–	2,488,527
Financial assets at FVTPL	169	2,474	1,222	2	581,855	585,722
Financial investments at FVOCI	158,516	427,976	239,749	226,516	7,374,021	8,426,778
Financial investments at amortised cost	531	–	247	–	169,627	170,405
Loans, advances and financing	5,907,813	1,544,429	616,949	177,851	23,960,503	32,207,545
Other financial and non-financial assets	298,924	65,107	75,946	117,933	2,333,295	2,891,205
Total assets	8,854,480	2,039,986	934,113	522,302	34,419,301	46,770,182
Liabilities						
Deposits from customers	21,786,125	3,809,113	5,071,714	5,852,996	183,041	36,702,989
Deposits and placements of banks and other financial institutions	469,360	14,357	27,247	66,022	156,578	733,564
Financial liabilities designated at fair value through profit or loss	52	–	24	253	426,756	427,085
Obligation on securities sold under repurchase agreements	29,780	191,607	–	–	–	221,387
Recourse obligations on loans and financing sold to Cagamas	–	38	–	–	300,015	300,053
Subordinated obligations	21,976	8,600	375	1,199,719	249,584	1,480,254
Lease liabilities	3,068	5,008	7,408	12,497	102,169	130,150
Other financial and non-financial liabilities	787,351	46,556	40,967	355,823	371,366	1,602,063
Total liabilities	23,097,712	4,075,279	5,147,735	7,487,310	1,789,509	41,597,545
Net maturity mismatch	(14,243,232)	(2,035,293)	(4,213,622)	(6,965,008)	32,629,792	5,172,637

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,571,995	–	–	–	–	1,571,995
Financial assets at FVTPL	379	–	118	–	169,159	169,656
Financial investments at FVOCI	58,511	199,629	325,205	488,643	5,780,878	6,852,866
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Loans, advances and financing	6,492,380	1,527,109	669,257	106,285	23,827,945	32,622,976
Other financial and non-financial assets	267,702	18,497	5,812	2,791	2,661,243	2,956,045
Total assets	8,427,858	1,745,681	1,002,948	697,490	32,611,491	44,485,468
Liabilities						
Deposits from customers	20,197,348	4,169,377	3,454,002	6,994,865	167,270	34,982,862
Deposits and placements of banks and other financial institutions	3,224	15,674	9,378	45,260	271,299	344,835
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Recourse obligations on loans and financing sold to Cagamas	–	76	–	–	300,000	300,076
Subordinated obligations	21,835	8,919	–	–	1,448,826	1,479,580
Other financial and non-financial liabilities	549,997	49,614	16,871	5,795	1,007,576	1,629,853
Total liabilities	20,781,850	4,261,630	3,514,612	7,075,564	3,881,973	39,515,629
Net maturity mismatch	(12,353,992)	(2,515,949)	(2,511,664)	(6,378,074)	28,729,518	4,969,839

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	28,007,680	5,580,417	6,418,449	8,028,543	764,474	–	48,799,563
Deposits and placements of banks and other financial institutions	876,909	220,957	41,315	97,015	307,225	1,350	1,544,771
Financial liabilities designated at fair value through profit or loss	31,109	2,023	23,401	51,225	47,038	373,957	528,753
Obligation on securities sold under repurchase agreements	29,781	339,688	–	–	–	–	369,469
Recourse obligations on loans and financing sold to Cagamas	–	8,853	8,890	167,681	692,830	–	878,254
Subordinated obligations	25,662	13,173	5,966	1,244,816	298,869	–	1,588,486
Lease liabilities	3,271	5,387	7,955	13,289	90,158	37,283	157,343
Other financial liabilities	779,216	5,123	206	247,496	356,027	–	1,388,068
	29,753,628	6,175,621	6,506,182	9,850,065	2,556,621	412,590	55,254,707
Items not recognised in the statements of financial position							
Financial guarantees	152,869	172,455	112,218	341,413	160,819	–	939,774
Credit related commitments and contingencies	10,680,219	73,317	84,950	83,296	1,614,788	11,564	12,548,134
	10,833,088	245,772	197,168	424,709	1,775,607	11,564	13,487,908
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Derivatives settled on a gross basis							
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	–	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	–	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	–	138,580

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	25,875,927	5,423,059	4,602,190	8,961,760	609,354	–	45,472,290
Deposits and placements of banks and other financial institutions	274,355	26,629	17,922	71,136	484,833	–	874,875
Financial liabilities designated at fair value through profit or loss	60,769	18,154	34,495	30,568	722,841	183,570	1,050,397
Recourse obligations on loans and financing sold to Cagamas	–	8,882	5,494	21,265	878,453	–	914,094
Subordinated obligations	25,875	12,938	3,125	41,938	1,894,050	281,263	2,259,189
Other financial liabilities	1,154,277	470	995	2,078	887,849	–	2,045,669
	27,391,203	5,490,132	4,664,221	9,128,745	5,477,380	464,833	52,616,514
Items not recognised in the statements of financial position							
Financial guarantees	130,379	134,969	89,245	266,040	89,882	10,985	721,500
Credit related commitments and contingencies	9,954,752	115,655	45,497	93,651	1,826,460	265,521	12,301,536
	10,085,131	250,624	134,742	359,691	1,916,342	276,506	13,023,036
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	–	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	–	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	–	(24,763)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	21,795,294	3,840,752	5,147,600	5,984,278	174,483	–	36,942,407
Deposits and placements of banks and other financial institutions	470,411	14,357	26,245	66,022	155,229	1,350	733,614
Financial liabilities designated at fair value through profit or loss	8,817	2,023	23,401	51,225	47,038	373,957	506,461
Obligation on securities sold under repurchase agreements	29,781	191,606	–	–	–	–	221,387
Recourse obligations on loans and financing sold to Cagamas	–	3,388	3,426	6,739	323,845	–	337,398
Subordinated obligations	25,662	13,173	2,983	1,241,865	286,175	–	1,569,858
Lease liabilities	3,149	5,144	7,700	13,204	90,097	37,283	156,577
Other financial liabilities	733,749	4,709	24	246,236	268,471	–	1,253,189
	23,066,863	4,075,152	5,211,379	7,609,569	1,345,338	412,590	41,720,891
Items not recognised in the statements of financial position							
Financial guarantees	130,679	154,884	99,299	204,066	139,212	–	728,140
Credit related commitments and contingencies	8,543,951	71,114	77,363	76,375	1,152,713	11,177	9,932,693
	8,674,630	225,998	176,662	280,441	1,291,925	11,177	10,660,833
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Derivatives settled on a gross basis							
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	–	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	–	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	–	138,580

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	20,208,190	4,208,228	3,527,523	7,156,724	175,420	–	35,276,085
Deposits and placements of banks and other financial institutions	3,223	18,146	8,151	48,045	275,962	–	353,527
Financial liabilities designated at fair value through profit or loss	9,604	18,154	34,495	30,568	722,841	183,570	999,232
Recourse obligations on loans and financing sold to Cagamas	–	3,388	–	10,276	337,383	–	351,047
Subordinated obligations	25,875	12,938	3,125	41,938	1,785,500	461,313	2,330,689
Other financial liabilities	544,206	36,561	226	694	990,612	–	1,572,299
	20,791,098	4,297,415	3,573,520	7,288,245	4,287,718	644,883	40,882,879
Items not recognised in the statements of financial position							
Financial guarantees	108,481	96,364	78,426	160,654	74,141	–	518,066
Credit related commitments and contingencies	8,101,228	66,521	34,918	87,485	1,363,401	240,433	9,893,986
	8,209,709	162,885	113,344	248,139	1,437,542	240,433	10,412,052
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	–	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	–	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	–	(24,763)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk, but excludes strategic and reputational risk. Operational risk includes Shariah non-compliance risk which arises from the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk and Compliance Officers are responsible for the management of their day to day operational and Shariah non-compliance risks.

Operational and Shariah non-compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by the Group and the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group and the Bank apply the Basic Indicator Approach for operational risk capital charge computation.

45. CAPITAL COMMITMENTS

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Capital expenditure:				
Authorised and contracted for	**34,828**	46,839	**33,693**	45,925
Authorised but not contracted for	**129,187**	123,701	**127,230**	121,441
	164,015	170,540	**160,923**	167,366

The capital commitments mainly consist of computer software and property, plant and equipment.

46. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable lease commitments are as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	–	35,708	–	33,765
Between one to five years	–	43,506	–	42,241
	–	79,214	–	76,006

The operating leases of the Group's and the Bank's premises typically cover for an initial period of two to three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties.

From 1 April 2019, the Group and the Bank recognised lease liabilities for these leases as per Note 25, except for short-term and low value lease.

47. 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 off-balance sheet notional exposures of the Group and the Bank are as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit-related exposures				
Direct credit substitutes [Note a]	**814,317**	650,663	**622,481**	490,085
Transaction-related contingent items [Note a]	**621,684**	680,097	**559,957**	609,843
Short-term self-liquidating trade-related contingencies	**130,924**	179,994	**110,898**	133,405
Forward assets purchase	–	236,985	–	211,985
Obligations under an on-going underwriting agreement	**51,150**	46,154	–	–
Irrevocable commitments to extend credit:				
- maturity exceeding one year	**1,239,933**	1,319,483	**871,143**	904,181
- maturity not exceeding one year	**9,273,334**	8,308,840	**7,139,788**	6,461,733
Unutilised credit card lines	**1,356,566**	1,600,820	**1,356,566**	1,600,820
	13,487,908	13,023,036	**10,660,833**	10,412,052

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. COMMITMENTS AND CONTINGENCIES (CONT'D)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Derivative financial instruments [Note b]				
Foreign exchange related contracts:				
- one year or less	**12,470,667**	4,561,102	**12,470,667**	4,561,102
- over one year to three years	**621,349**	159,580	**621,349**	159,580
- over three years	**315,762**	10,209	**315,762**	10,209
Interest rate related contracts:				
- one year or less	**3,505,421**	2,034,786	**3,505,421**	2,034,786
- over one year to three years	**3,386,675**	1,779,255	**3,386,675**	1,779,255
- over three years	**2,230,984**	2,503,968	**2,230,984**	2,503,968
Equity related contracts:				
- one year or less	**533,770**	78,958	**533,770**	78,958
- over one year to three years	**273,868**	30,810	**273,868**	30,810
- over three years	**145,300**	–	**145,300**	–
	23,483,796	11,158,668	**23,483,796**	11,158,668
	36,971,704	24,181,704	**34,144,629**	21,570,720

Note:

(a) Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM939,774,000 and RM728,140,000 (2019: RM721,500,000 and RM518,066,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.

(b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statements of income and statements of financial position as derivatives financial assests and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 9.

48. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group and the Bank are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The capital adequacy ratios of the Group and the Bank are as follows:

	GROUP		BANK	
	2020	2019	2020	2019
Before deducting proposed dividends				
CET I capital ratio	**13.826%**	13.736%	**12.899%**	12.061%
Tier I capital ratio	**14.593%**	14.423%	**13.771%**	12.940%
Total capital ratio	**18.902%**	18.856%	**18.634%**	17.841%
After deducting proposed dividends				
CET I capital ratio	**13.826%**	13.388%	**12.899%**	11.614%
Tier I capital ratio	**14.593%**	14.074%	**13.771%**	12.493%
Total capital ratio	**18.902%**	18.508%	**18.634%**	17.394%

48. CAPITAL ADEQUACY (CONT'D)

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows:

	GROUP		BANK	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CET I Capital				
Paid-up share capital	**1,548,106**	1,548,106	**1,548,106**	1,548,106
Retained profits	**3,974,847**	3,827,676	**3,346,890**	3,128,589
Regulatory reserves	**224,579**	178,397	**182,292**	160,798
FVOCI reserve	**140,966**	68,540	**79,612**	36,449
Capital reserves	**100,150**	100,150	**15,515**	95,515
	5,988,648	5,722,869	**5,172,415**	4,969,457
Less: Regulatory adjustments				
- Goodwill and other intangibles	**(437,086)**	(432,961)	**(332,680)**	(323,804)
- Deferred tax assets	**(28,125)**	(72,972)	**(14,074)**	(50,116)
- 55% of revaluation reserves	**(77,531)**	(37,697)	**(43,787)**	(20,047)
- Regulatory reserves	**(224,579)**	(178,397)	**(182,292)**	(160,798)
- Investment in subsidiaries, associate and joint venture	**(903)**	(802)	**(909,102)**	(989,102)
Total CET I Capital	**5,220,424**	5,000,040	**3,690,480**	3,425,590
Additional Tier I Capital Securities	**289,844**	249,792	**249,584**	249,445
Total Additional Tier I Capital	**289,844**	249,792	**249,584**	249,445
Total Tier I Capital	**5,510,268**	5,249,832	**3,940,064**	3,675,035
Tier II Capital				
Subordinated obligations	**1,199,829**	1,199,676	**1,199,719**	1,199,381
Expected credit losses and regulatory reserves	**427,020**	414,258	**321,754**	322,740
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	**–**	–	**(130,000)**	(130,000)
Total Tier II Capital	**1,626,849**	1,613,934	**1,391,473**	1,392,121
Total Capital	**7,137,117**	6,863,766	**5,331,537**	5,067,156

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

48. CAPITAL ADEQUACY (CONT'D)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit risk	**34,161,647**	33,140,642	**25,740,333**	25,819,184
Market risk	**472,308**	274,942	**472,308**	274,942
Operational risk	**3,125,054**	2,984,529	**2,398,815**	2,307,070
Total RWA and capital requirements	**37,759,009**	36,400,113	**28,611,456**	28,401,196

Detailed information on the risk exposures above is presented in the Bank's Pillar 3 Report.

(c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2020		
Before deducting proposed dividends		
CET I capital ratio	**10.507%**	**98.737%**
Tier I capital ratio	**11.617%**	**98.737%**
Total capital ratio	**14.233%**	**99.682%**
After deducting proposed dividends		
CET I capital ratio	**10.507%**	**97.246%**
Tier I capital ratio	**11.617%**	**97.246%**
Total capital ratio	**14.233%**	**98.190%**
2019		
Before deducting proposed dividends		
CET I capital ratio	11.690%	78.200%
Tier I capital ratio	12.950%	78.200%
Total capital ratio	15.762%	79.196%
After deducting proposed dividends		
CET I capital ratio	11.339%	78.200%
Tier I capital ratio	12.599%	78.200%
Total capital ratio	15.411%	79.196%

49. CAPITAL

In managing its capital, the Group's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia;

- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and

- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for approval.

The Group's and the Bank's regulatory capital are determined under Bank Negara Malaysia's Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

50. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following level of hierarchy are used for determining and disclosing the fair value of the financial instruments:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

50. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Determination of fair value and the fair value hierarchy (cont'd)

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and most of the Group's and the Bank's derivatives.

(iii) Financial instruments in Level 3

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include net tangible assets, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

(b) Financial instruments measured at fair value and the fair value hierarchy

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

GROUP 2020	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	–	**437,929**	–	**437,929**
- Unquoted securities	–	**10,025**	**202,160**	**212,185**
Financial investments at FVOCI				
- Money market instruments	–	**6,476,810**	–	**6,476,810**
- Quoted securities in Malaysia	**5**	–	–	**5**
- Unquoted securities	–	**5,067,692**	–	**5,067,692**
Derivative financial assets	–	**436,910**	–	**436,910**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	**427,085**	–	**427,085**
Derivative financial liabilities	–	**348,877**	–	**348,877**

50. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (cont'd)

GROUP 2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	–	41,002	–	41,002
- Unquoted securities	–	1,921	187,517	189,438
Financial investments at FVOCI				
- Money market instruments	–	5,289,295	–	5,289,295
- Quoted securities in Malaysia	8	–	–	8
- Unquoted securities	–	4,189,159	–	4,189,159
Derivative financial assets	–	55,442	–	55,442
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	778,423	–	778,423
Derivative financial liabilities	–	57,545	–	57,545

BANK 2020	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	**–**	**437,929**	**–**	**437,929**
- Unquoted securities	**–**	**10,025**	**137,768**	**147,793**
Financial investments at FVOCI				
- Money market instruments	**–**	**5,403,416**	**–**	**5,403,416**
- Quoted securities in Malaysia	**5**	**–**	**–**	**5**
- Unquoted securities	**–**	**3,023,357**	**–**	**3,023,357**
Derivative financial assets	**–**	**436,910**	**–**	**436,910**
Liabilities				
Financial liabilities designated at fair value through profit or loss	**–**	**427,085**	**–**	**427,085**
Derivative financial liabilities	**–**	**348,877**	**–**	**348,877**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

50. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (cont'd)

BANK 2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	–	41,002	–	41,002
- Unquoted securities	–	1,921	126,733	128,654
Financial investments at FVOCI				
- Money market instruments	–	4,405,360	–	4,405,360
- Quoted securities in Malaysia	8	–	–	8
- Unquoted securities	–	2,447,498	–	2,447,498
Derivative financial assets	–	55,442	–	55,442
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	778,423	–	778,423
Derivative financial liabilities	–	57,545	–	57,545

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2020 and 31 March 2019.

Reconciliation of movements in level 3 financial instruments:

	GROUP		**BANK**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 April	**187,517**	178,846	**126,733**	121,634
Partial distribution on liquidity shares	**(106)**	(195)	**(106)**	(195)
Total gains recognised in:				
- Statements of income				
(i) Revaluation gain from financial assets at FVTPL	**14,749**	8,866	**11,141**	5,294
At 31 March	**202,160**	187,517	**137,768**	126,733

The Group's and the Bank's exposure to financial instruments measured using unobservable inputs (level 3) constitutes a small component of the Group's and the Bank's portfolio of financial instruments. Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the level 3 financial instruments.

50. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 2020 RM'000	Fair value assets 2019 RM'000	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
GROUP					
Financial assets at FVTPL					
Unquoted securities	**202,160**	187,517	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
BANK					
Financial assets at FVTPL					
Unquoted securities	**137,768**	126,733	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

50. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statements of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

GROUP 2020	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	**–**	**129,877**	**–**	**129,877**	**121,299**
Loans, advances and financing	**–**	**–**	**43,767,606**	**43,767,606**	**43,110,007**
Financial liabilities					
Deposits from customers	**–**	**48,434,373**	**–**	**48,434,373**	**48,425,852**
Deposits and placements of banks and other financial institutions	**–**	**1,511,244**	**–**	**1,511,244**	**1,543,646**
Obligations on securities sold under repurchase agreements	**–**	**369,469**	**–**	**369,469**	**369,469**
Recourse obligations on loans and financing sold to Cagamas	**–**	**858,516**	**–**	**858,516**	**800,695**
Subordinated obligations	**–**	**1,489,614**	**–**	**1,489,614**	**1,520,637**

GROUP 2019	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with banks and other financial institutions	–	485	–	485	500
Financial investments at amortised cost	–	200,268	–	200,268	235,720
Loans, advances and financing	–	–	42,861,780	42,861,780	42,320,301
Financial liabilities					
Deposits from customers	–	45,021,243	–	45,021,243	45,017,632
Deposits and placements of banks and other financial institutions	–	833,871	–	833,871	858,708
Recourse obligations on loans and financing sold to Cagamas	–	886,480	–	886,480	800,669
Subordinated obligations	–	1,449,360	–	1,449,360	1,480,222

50. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value (cont'd)

BANK 2020	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	**–**	**178,925**	**–**	**178,925**	**170,405**
Loans, advances and financing	**–**	**–**	**32,611,046**	**32,611,046**	**32,207,545**
Financial liabilities					
Deposits from customers	**–**	**36,704,170**	**–**	**36,704,170**	**36,702,989**
Deposits and placements of banks and other financial institutions	**–**	**726,128**	**–**	**726,128**	**733,564**
Obligations on securities sold under repurchase agreements	**–**	**221,387**	**–**	**221,387**	**221,387**
Recourse obligations on loans and financing sold to Cagamas	**–**	**317,690**	**–**	**317,690**	**300,053**
Subordinated obligations	**–**	**1,449,303**	**–**	**1,449,303**	**1,480,254**

BANK 2019	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	–	276,582	–	276,582	311,930
Loans, advances and financing	–	–	32,965,110	32,965,110	32,622,976
Financial liabilities					
Deposits from customers	–	34,983,732	–	34,983,732	34,982,862
Deposits and placements of banks and other financial institutions	–	342,774	–	342,774	344,835
Recourse obligations on loans and financing sold to Cagamas	–	323,433	–	323,433	300,076
Subordinated obligations	–	1,448,826	–	1,448,826	1,479,580

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

50. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial investments at amortised cost

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

(ii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Obligations on securities sold under repurchase agreements

The estimated fair value of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying value.

(v) Recourse obligations on loans and financing sold to Cagamas

The fair values of recourse obligations on loans and financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(vi) Other borrowings and subordinated obligations

The fair value of the other borrowings and subordinated bonds/notes is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Group and the Bank report financial assets and financial liabilities on a net basis on the statement of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

(i) all financial assets and liabilities that are reported net on the statements of financial position; and

(ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statements of financial position RM'000	Net amounts of financial assets presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position: Financial Instruments RM'000	Related amounts not set off in the statements of financial position: Cash collateral received RM'000	Net Amount RM'000
GROUP						
2020						
Derivative financial assets	**436,910**	**–**	**436,910**	**(105,271)**	**(82,765)**	**248,874**
Amounts due from clients and brokers	**84,014**	**(32,849)**	**51,165**	**–**	**–**	**51,165**
Total	**520,924**	**(32,849)**	**488,075**	**(105,271)**	**(82,765)**	**300,039**
GROUP						
2019						
Derivative financial assets	55,442	–	55,442	(14,492)	(8,105)	32,845
Amounts due from clients and brokers	144,882	(67,874)	77,008	–	–	77,008
Total	200,324	(67,874)	132,450	(14,492)	(8,105)	109,853
BANK						
2020						
Derivative financial assets	**436,910**	**–**	**436,910**	**(105,271)**	**(82,765)**	**248,874**
BANK						
2019						
Derivative financial assets	55,442	–	55,442	(14,492)	(8,105)	32,845

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statements of financial position RM'000	Net amounts of financial liabilities presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral pledged RM'000	
GROUP						
2020						
Derivative financial liabilities	**348,877**	**–**	**348,877**	**(105,271)**	**(136,766)**	**106,840**
Amounts due to clients and brokers	**55,141**	**(32,849)**	**22,292**	**–**	**–**	**22,292**
Total	**404,018**	**(32,849)**	**371,169**	**(105,271)**	**(136,766)**	**129,132**
GROUP						
2019						
Derivative financial liabilities	57,545	–	57,545	(14,492)	(22,541)	20,512
Amounts due to clients and brokers	119,038	(67,874)	51,164	–	–	51,164
	176,583	(67,874)	108,709	(14,492)	(22,541)	71,676
BANK						
2020						
Derivative financial liabilities	**348,877**	**–**	**348,877**	**(105,271)**	**(136,766)**	**106,840**
BANK						
2019						
Derivative financial liabilities	57,545	–	57,545	(14,492)	(22,541)	20,512

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

52. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared and provided to the chief operating decision-maker based on the Group's internal management reporting reflective of the organisation's management reporting structure.

Based on the results presented to chief operating decision-maker, funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes inter-segment eliminations. Transactions between reportable segments are eliminated based on principles of consolidation as described in accounting policy. Intercompany transactions, balances and unrealised gains and losses on transactions between Group's companies are eliminated in inter-segment eliminations.

The Group is organised into the following key operating segments:

(i) Consumer Banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer Banking customers are serviced via branch network, call centre, electronic/internet banking channels and direct sales channels.

(ii) Business Banking

Business Banking segment covers Small and Medium Enterprise ("SME"), Corporate and Commercial Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Corporate and Commercial Banking serves public-listed and large corporate business customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory cover stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as unit trust, asset management, alternative distribution channels, trustee services and head office.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

52. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2020	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	397,303	370,302	228,099	13,043	281	1,009,028	(28,194)	980,834
- inter-segment	(50,798)	81,828	(23,099)	(7,931)	–	–	–	–
	346,505	452,130	205,000	5,112	281	1,009,028	(28,194)	980,834
Net income from Islamic banking business	160,735	117,754	61,477	–	165	340,131	37,765	377,896
Other operating income	101,271	161,209	35,096	27,385	22,978	347,939	(17,349)	330,590
Net income	608,511	731,093	301,573	32,497	23,424	1,697,098	(7,778)	1,689,320
Other operating expenses	(343,113)	(276,305)	(47,969)	(38,062)	(18,101)	(723,550)	315	(723,235)
Depreciation and amortisation	(39,656)	(35,105)	(7,593)	(2,633)	(492)	(85,479)	1,695	(83,784)
Operating profit	225,742	419,683	246,011	(8,198)	4,831	888,069	(5,768)	882,301
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(218,220)	(54,807)	152	(360)	1	(273,234)	–	(273,234)
(Allowance for)/write-back of expected credit losses on financial assets	–	(38,584)	(74)	936	735	(36,987)	(10)	(36,997)
Allowance for impairment losses on non-financial assets	–	–	–	(9,230)	–	(9,230)	4,913	(4,317)
Segment results	7,522	326,292	246,089	(16,852)	5,567	568,618	(865)	567,753
Share of results of joint venture								101
Taxation								(143,591)
Net profit for the financial year								424,263
Segment assets	24,115,445	25,558,326	12,242,497	269,954	47,365	62,233,587	(1,859,561)	60,374,026
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								903
Property, plant and equipment								64,486
Tax recoverable and deferred tax assets								98,959
Intangible assets								437,086
Total assets								60,975,460

52. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2019	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	465,822	335,707	215,349	14,490	399	1,031,767	(33,684)	998,083
- inter-segment	(127,640)	104,394	33,032	(9,786)	–	–	–	–
	338,182	440,101	248,381	4,704	399	1,031,767	(33,684)	998,083
Net income from Islamic banking business	139,378	112,055	59,636	–	1,087	312,156	46,901	359,057
Other operating income	85,400	165,526	(19,017)	28,727	23,525	284,161	(19,200)	264,961
Net income	562,960	717,682	289,000	33,431	25,011	1,628,084	(5,983)	1,622,101
Other operating expenses	(361,087)	(259,262)	(44,116)	(38,060)	(19,374)	(721,899)	491	(721,408)
Depreciation and amortisation	(6,312)	(32,625)	(13,150)	(1,286)	(166)	(53,539)	–	(53,539)
Operating profit/(loss) before allowance	195,561	425,795	231,734	(5,915)	5,471	852,646	(5,492)	847,154
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(115,018)	(16,578)	871	(125)	–	(130,850)	1	(130,849)
Write-back of expected credit losses on financial assets	–	–	115	–	–	115	86	201
Write-back of/(Allowance for) impairment losses on non-financial assets	–	148	–	(27,337)	–	(27,189)	18,597	(8,592)
Segment result	80,543	409,365	232,720	(33,377)	5,471	694,722	13,192	707,914
Share of results of joint venture								109
Taxation								(170,426)
Net profit for the financial year								537,597
Segment assets	22,149,320	20,476,010	15,345,234	349,018	38,299	58,357,881	(2,434,544)	55,923,337
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								802
Property, plant and equipment								70,497
Tax recoverable and deferred tax assets								93,254
Intangible assets								432,961
Total assets								56,520,851

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a. Bancassurance partnership

The Bank and its wholly-owned subsidiary, Alliance Islamic Bank Berhad had on 22 April 2019 entered into distribution agreements with Zurich General Insurance Malaysia Berhad and Zurich General Takaful Malaysia Berhad respectively, to establish general bancassurance and bancatakaful partnership in Malaysia.

b. Liquidation of subsidiaries

Details of liquidation of subsidiaries are disclosed in Note 13(b) to the financial statements.

54. SUBSEQUENT EVENTS

The global economy is expecting to slow down following disruption caused by COVID-19 pandemic and the collapse of crude oil prices. In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help stimulate the economy.

To alleviate the financial difficulties of the borrowers, the Government has announced a 6 months automatic moratorium on repayments of loans and financing from 1 April 2020 for eligible small and medium enterprises and individuals ("automatic moratorium"). As such, in order to help our consumers and businesses, the Group and the Bank have implemented the automatic moratorium and this will result in modification losses on these loans and financing as the contractual cash flow has been modified either from the loan tenure or the total repayment.

Overnight policy rate ("OPR") was reduced by 50bps in early May 2020 to help easing the financial burden of the borrowers and this would impact the Group's revenue. In addition, expected credit losses are expected to increase following the slowdown in economy resulted from COVID-19 pandemic and Movement Control Order ("MCO").

All these would have an adverse impact on the Group and the Bank earnings for financial year 2021 and the financial impact has yet to be quantified. However, the Group and the Bank will monitor the situation closely and continue to assess the impact.

Nevertheless, we are committed to help our customers navigate through the storm with loan restructuring solutions and fully support the government's economic stimulus initiatives.

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